DOCUMENT RESUME

ED 420 593 SO 028 821

TITLE	Enterprise in Action: Guide for Consultants and Teachers [and] Student Materials.
INSTITUTION	Junior Achievemnt, Inc., Colorado Springs, CO.
PUB DATE	1995-00-00
NOTE	140p.; For other "Junior Achievement" guides, see SO 028 815-823.
AVAILABLE FROM	Junior Achievement, Inc., One Education Way, Colorado Springs, CO 80906.
PUB TYPE	Guides - Non-Classroom (055)
EDRS PRICE	EDRS Price MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	*Active Learning; *Decision Making; *Economics; *Economics Education; Instructional Materials; Intermediate Grades; Junior High Schools; Macroeconomics; Microeconomics; Middle Schools; Social Studies; Teaching Guides
IDENTIFIERS	Junior Achievement

ABSTRACT

This document consists of two booklets, one for teachers and one for students. These booklets are part of the Middle Grades Program of Junior Achievement, Inc. The booklets are designed to help students understand the principal characteristics of the United States economic system and the role of business. The activities are designed to reinforce economic concepts taught in U.S. history, state history, and civics courses. A master list of materials needed and suggestions on how to conduct each lesson are included. The lessons include: (1) "A Consumer Hit Parade"; (2) "Enterprise in Action"; (3) "The Wheel of Enterprise"; (4) "Burger Breakdown"; (5) "Business Organization"; (6) "Great Hats, Lots of Hats"; (7) "A CAPital Market"; (8) "From Producer to Consumer"; (9) "Keeping the Competitive Edge"; (10) "Business and Your Community"; (11) "Business and Social Responsibility"; (12) "Issues at Eigentown"; (13) "Economic Indicators"; and (14) "Putting It Together (Review Activity)." The student materials are accompanied by a teacher guide, pre- and post-tests, ongoing activities, game cards, a student booklet, activity sheets, and a "Certificate of Achievement." (EH)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 420 593

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

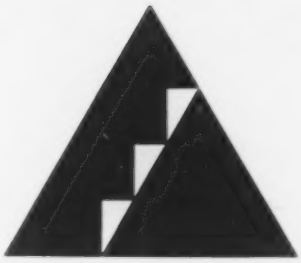
PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY
RICHARD VAN SLOTEN
2A
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

Junior Achievement®

Guide for Consultants and Teachers

ENTERPRISE IN ACTION™

SO 028 821



Junior Achievement®

Guide for Consultants and Teachers

ENTERPRISE IN ACTION™

Copyright - 1995
Junior Achievement Inc.
Colorado Springs, Colorado

The text of this publication, or any part thereof, may not be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, storing in an information retrieval system, or otherwise except in the course of conducting a registered Junior Achievement class or with the permission of the publisher.

Printed in the United States of America
97 96 10 9 8 7 6 5 4 3 2

TABLE OF CONTENTS

Introduction

Foreword 1
Program Overview 2
Program Materials 3
Preparing for Class 4
Background 6

Activity Plans

1. A Consumer Hit Parade 9
2. Enterprise in Action 13
3. The Wheel of Enterprise 18
4. Burger Breakdown 22
5. Business Organization 26
6. Great Hats, Lots of Hats 31
7. A CAPital Market 35
8. From Producer to Consumer 40
9. Keeping the Competitive Edge 43
10. Business and Your Community 47
11. Business and Social Responsibility 51
12. Issues at Eigentown 55
13. Economic Indicators 59
14. Putting It Together (review activity) . . . . . Materials Envelope

Foreword

Junior Achievement Inc. is a not-for-profit organization financed by over 100,000 businesses, foundations, and individuals. The purpose of Junior Achievement is to educate and inspire young people to value free enterprise, understand business and economics, and be workforce ready.

Since its founding in 1919 by Horace A. Moses, president of Strathmore Paper Company (Springfield, Massachusetts), Junior Achievement has contributed to the business and economics education of young people in 3,300 communities in the United States and other countries. In the United States, over 57,000 volunteers present Junior Achievement programs each year.

Junior Achievement programs for kindergarten through grade 12 include the following:

- **The Elementary School Program** is an economics and business curriculum for students in kindergarten through grade six. Participants learn about the roles they play as individuals, workers, and consumers. Through lively discussions and activities, the students discover how basic economic concepts apply to their lives today and in the future. Like Junior Achievement's other programs, the Elementary School Program is presented by Junior Achievement volunteers, with support from classroom teachers.

- **The Middle Grades Program** is an in-school, economics and business curriculum for seventh-, eighth-, and ninth-grade students. It is organized around three major themes: Personal Economics, Enterprise in Action, and The International Marketplace. A business volunteer, who is a role model for the students, presents eight to 10 activities on one theme.

- **Economics** is an in-school, one semester course introducing economics to high school sophomores, juniors, and seniors. The students use a textbook, a study guide, and computer software developed and produced by Junior Achievement. Theoretical concepts are enriched by the experience of organizing and operating a "student company," by a computer management simulation, and by weekly visits from a business volunteer.

- **The Company Program**, the original Junior Achievement program, provides high school students with practical business experience through the organization and operation of a business enterprise. With the assistance of business volunteers, the students gain insights into the complexities and rewards of the American economic system.

- **The Company Masters Program** provides an opportunity for students to extend their Junior Achievement learning experience. Through a simulation, students solve business problems and develop business leadership skills.

All Junior Achievement programs are field tested in classrooms and updated in response to comments from teachers, students, and consultants. Each program is evaluated by an independent research firm. The results of these evaluations are used to revise and improve the instructional materials.

Junior Achievement Inc.
One Education Way
Colorado Springs, CO 80906

Program Overview

Students in Junior Achievement's program for grades seven through nine learn fundamental economic ideas and discover how businesses operate in the United States and in international markets. They also explore career interests and opportunities. Each week, for eight to 10 weeks, business volunteers serve as role models, they lead discussions and engaging activities, and they enrich the program with their own experiences and business knowledge.

The volunteers present activities from one of three themes. The materials for each theme are packaged in a kit that contains detailed activity plans; informative workbooks for students; and additional materials to ensure a successful experience for students, teachers, and volunteers.

The Middle Grades Program is part of Junior Achievement's sequential curriculum for grades kindergarten through 12, helping students understand their economic world and preparing them for academic learning and lifelong achievement.

Personal Economics

Personal Economics helps students assess their personal skills and interests, explore career options, learn job-hunting skills, and discover the value of an education. They also learn about budgets, personal and family financial management, and the use and abuse of credit.

Enterprise in Action

Enterprise in Action helps students understand the principal characteristics of the United States economic system and the role of business in it. The activities are designed to reinforce economic concepts taught in U.S. history, state history, and civics courses. Students learn the steps in organizing a business and producing and marketing a product. They also study the social responsibilities of business and the role of government in the U.S. economy.

The International Marketplace

The International Marketplace helps students appreciate how they are connected, through trade, to people and cultures throughout the world. The activities are designed to reinforce economic concepts taught in world history and geography courses. The program begins with a focus on the resources of selected countries and how they impact cultures, governments, and economic systems. The focus then turns to the benefits of international trade and important international economic issues.

Dear Consultant,

Thank you for presenting Enterprise in Action to the students in your community. As a business volunteer, you are an important role model. In fact, you may be the only business person with whom many of the students interact regularly.

We know that presenting Enterprise in Action will be a challenging but rewarding experience for you. And because of your time and effort, your students will better understand their opportunities in the U.S. free enterprise system.

We strongly encourage you to meet with the teacher and visit the classroom before your first presentation. This visit will help you assess the students' needs and tailor your presentations to meet the program's and the teacher's objectives.

The Enterprise in Action kit contains detailed activity plans and the other materials you will need to get started. As you gain experience and confidence, you will discover other ways to organize your presentations and adapt activities to complement your experiences and your students' needs and interests. We encourage you to be flexible and creative:

- Flexibility–You have received 14 activities for an eight- to 10-week program. Further, each activity has several parts and might require more than one session to present. Select the eight to 10 activities that you and the teacher agree are most important.
- Creativity–The activities are organized around core concepts that are important to teach, but Enterprise in Action will be most effective if you are able to relate the activity to your personal experiences and to those of the students. A presentation outline follows each activity to help you adapt it to your style.

The Middle Grades Program is evaluated and revised regularly in response to comments from teachers and consultants. Send us your own ideas on the feedback form included with your materials.

Program Materials

Each kit contains the materials you will need to successfully conduct the program. Please review all of the materials, and call your local Junior Achievement office if your kit is incomplete.

Guide for Consultants and Teachers

Each kit contains two guides. Be sure to give the second copy to the teacher. The guide's features are designed to keep your preparation time minimal.

Background–These two pages summarize the core concepts presented in the activities.

Activity Plans

Overview–A summary of the activity helps consultants and teachers quickly choose among Enterprise in Action's 14 activities to tailor the program for the students.

Objectives–Learning outcomes state the skills and knowledge the students will gain from each activity.

Preparation–Tips for getting ready for each session are provided here.

Materials–This section lists the materials needed for the activity. Supplementary materials may not be provided.

Presentation–This detailed script guides consultants through the activity and discussion, ensuring a smooth presentation of objectives. Margin notes suggest alternative strategies and give recommended time guidelines for a typical 45-minute session. These times may be unrealistic for your situation, so plan accordingly.

Summary and Review–Consultants are encouraged to reemphasize objectives before concluding each session.

Life Skills–These brief follow-up activities offer students opportunities to apply concepts and skills presented in the activity. Sometimes they introduce related topics. They may be presented by either the consultant or the teacher, as time allows.

Presentation Outline–An outline follows the detailed activity plan to encourage consultants to add personal notes, outside enrichments, and spontaneity, while accomplishing the activity's objectives. Consultants who are comfortable with the structure of the activity can follow the outline as they lead the activity.

Student Manual

Your Enterprise in Action kit contains one student manual, *Enterprise in Action*, for each student, ideally to be kept in the classroom between your presentations. Its exercises are tied closely to the activity plans and Life Skills exercises. Answer keys to the exercises are given with the activity plan in your guide. A glossary at the back of the manual contains key vocabulary used in the program.

Ongoing Activities

Included in your kit are ideas for activities that can span several class sessions. Review these materials early in the program.

Certificates

Certificates of Achievement for the students have been included in the kit to recognize their participation in the program. You will need to obtain an up-to-date class list from the teacher in order to complete the certificates. Please make sure you have signed each certificate and correctly spelled each student's name.

Plan with the teacher for the most effective way to distribute the certificates, and encourage the students to show them to their families.

Caps

Enterprise in Action classes also may use Caps, a computer simulation that helps students learn basic business and economics concepts. Students, working in teams, have fun managing their own custom cap companies in a competitive environment.

To preview the materials or obtain a copy for use in your classroom, contact your local Junior Achievement office.

Field Trip

As a culminating activity, many consultants choose to take the students on a field trip to their places of business to emphasize the importance of being ready for the workforce.

Preparing for Class

Schedule a class visit and planning session with the teacher. Both visits will help you to determine the school's particular goals and objectives for the program and to learn the students' interests or needs. Discuss your program objectives with the teacher, and ask him or her about activities the students enjoy the most, their general abilities, and tips for classroom management.

Observing the Students

When you visit the classroom, remember what it was like to be a teenager. What were your interests? What occupied your thoughts and time? How did you feel about yourself? How did you feel about adults? What were your friends like? Who were your favorite teachers? Why? How were you and your friends the same? How were you different?

It's true times have changed since you were in school, and so have the students. But not as much as you might think! If you take a few moments to answers these questions, you will be well on your way to understanding many of the young men and women in your class.

- How many students are there? Knowing this will help you decide how to divide the class for small group activities.
- How does the teacher encourage participation? Do the students raise their hands? How does the teacher handle interruptions?
- What does the teacher do to make each student feel important and at ease? Is there anything you would do differently?
- Does the classroom have a clock, or will you need to bring a watch?
- Where can you display visuals? Will you need tape or push pins to display them?
- How is the room arranged? Will you need to move desks or chairs for any part of your presentation?
- Will you be able to count on the teacher's help? Do you see any potential problems with your presentation or with the class? Try to discuss your observations with the teacher.

The most striking aspect of your class will be the wide variation in student ability, maturity level, and interests. In fact, you will quickly discover that your students have critical social, personal, and academic needs. That is one good reason for you to approach the students with sincerity and respect. Learn their names, and compliment them to encourage their participation. When appropriate, award prizes such as cookies or candy (if permitted) or novelty items imprinted with your firm's logo. Finally, relate the activities to their current and future needs; personalize everything!

Meeting With the Teacher

While you have the primary responsibility for presenting the program, the teacher is crucial to the program's success. Give the teacher the second copies of the Guide for Consultants and Teachers and Enterprise in Action Survey from your kit. Together with the teacher scan the overview and objectives for each activity and determine which activities are most appropriate for the students.

Ask the teacher:

- To describe the students' interests and abilities.
- To give you ongoing feedback on how to communicate effectively with the class.
- To review or introduce concepts to prepare the students for your visits.
- To stay in the classroom during your presentations to assist and discipline the students, when needed.
- To explain school policies and communicate any schedule or calendar changes to you. (Be sure to exchange phone numbers should either of you need to contact the other outside of class.)
- To help you acquire audiovisual equipment, if needed, and assist with field trip plans, when appropriate.

Reviewing the Activities

After you have observed the students and met with the teacher, you will have the background knowledge you will need to prepare presentations tailor-made for your class. The steps that follow may further help you plan your visits.

1. Read each activity plan and related student manual exercises.

2. Review the objectives. Do they complement your goals?

3. Read the preparation requirements. Will you have enough time to gather the materials? Do you need time to study the economics or business concepts you will present?

4. Visualize yourself presenting the activities. Decide whether the presentations need to be modified to suit your style.

5. Are the activities too short or too long? Each activity has several components and the recommended times may be unrealistic for you. Overplan–that is, prepare to teach entire activities–but know how you can abbreviate an activity, if needed.

6. How can you enrich activities by drawing on your own experiences? Develop examples that are relevant to your class. Write your ideas on the presentation outlines that follow the activities.

Teaching Techniques

Arrive early, but don't interrupt the class in session.

Wear your business attire.

Be enthusiastic and friendly. Use the students' names. They will consider this a sign of respect and personal interest. Reusable table tents on which the students can write their names are included in each kit.

Be yourself. Tell the students about your early aspirations and how you got your current job. Don't let any skepticism or indifference from the students dampen your enthusiasm.

Don't lecture for more than five to 10 minutes, and review the main points you wish to make. Use examples from your own experiences or from those of the students, and avoid any use of ethnic or gender stereotypes.

Invite questions from the students and ask them questions to keep them involved and active. Give clues if the students don't respond, but don't answer your own questions. Try to involve as many students as possible, and occasionally call on students who have not raised their hands.

Use language the students can understand, but don't talk down to them.

- Never criticize a student's questions. All questions deserve an honest response. If you don't know an answer, say so and offer to find the answer.
- Avoid criticizing or rejecting wrong answers from the students. Instead, continue to guide students to the answer by clarification.
- Give general instructions before dividing the class into small groups.
- Circulate among small groups to answer questions and make sure the students are on task.
- Know the school's policies regarding visitors.
- Seek the teacher's advice; respect the teacher's authority and expertise in the classroom.
- Leave discipline to the teacher.
- Tailor your presentation to meet the needs of the students and the teacher.
- In any contact with students be sure the teacher, another school-sanctioned adult, a local Junior Achievement staff person, or the student's parent or guardian is present.
- Review the above tips often. But know that you'll be remembered because you cared about, were prepared for, and shared with the students.

Background

The students in your Enterprise in Action class are part of the world's largest economy. Each year Americans earn over $6 trillion and spending for and by teens amounts to $60 billion dollars for food, clothing, school supplies, movie tickets, and the other things they want. In the next few years, most will be active participants in a business enterprise as owners, managers, or employees. Yet, few teenagers think about the contributions businesses make to their daily lives or truly understand how businesses produce and distribute the goods and services they want.

Enterprise in Action is designed to help students begin to understand basic economic and business principles and discover the importance of business to their lives. The key concepts introduced are described briefly below.

The Pillars of Free Enterprise

The U.S. economic system rests on certain traditions, beliefs, and practices that set it apart from other economic systems–the pillars of free enterprise–private property, the price system, and competition.

- **Private Property**. In the United States privately owned businesses produce about 90 percent of the goods and services.
- **The Price System**. Perhaps the most remarkable feature of the free enterprise system is the extent to which it runs itself. Prices and the forces of supply and demand send out signals to producers and consumers who determine how the economy's resources will be allocated.
- **Competition**. Competition rewards talents, ability, and efficiency with higher wages and profits.

The activity *Enterprise in Action* helps students see how privately owned, competitive businesses operating in markets allocate resources and provide the goods and services consumers want at prices they are willing to pay.

Economic Incentives

If private property, the price system, and competition are the foundation and framework of the U.S. economy, then profits and other economic incentives are the cement that holds the structure together.

Economic incentives motivate people to behave in certain ways: consumers try to get the most for their shopping dollar, workers seek higher wages and better working conditions, savers look for increased returns without the loss of safety, and entrepreneurs seek to maximize profits.

The Wheel of Enterprise

In order to earn a profit, most businesses perform several basic operations illustrated by the "Wheel of Enterprise." Businesses begin with an *idea* for a good or a service. They identify a *market* and assemble the *capital*, *material*, and *human resources* needed to produce a good or service. And they use a variety of *marketing* strategies to bring their goods or services to customers who *exchange* their earnings for the business's product. Successful businesses earn a profit for their efforts. In *The Wheel of Enterprise*, students learn about the importance of each of these business functions. Subsequent activities focus in some depth on each "spoke" of the wheel.

Burger Breakdown helps students understand the variety of expenses–fixed and variable costs–businesses face. In *Great Hats, Lots of Hats* helps students apply the concept of "continuous improvement" and experience the importance of high productivity and high-quality products to business success. And *From Producer to Consumer* helps students understand the range of marketing activities required to deliver and sell goods or services.

A CAPital Market demonstrates the laws of supply and demand:

- **Demand**. All else being equal, consumers purchase more of an item at a low price than at a high price.
- **Supply**. All else being equal, producers offer more of an item for sale at a high price than at a low price.

It also helps students understand the importance of setting a price consumers are willing and able to pay.

Forms of Business Organization

Over 20 million businesses exist in the United States; they do everything from producing automobiles to training circus zebras. There are large multinational

corporations with thousands of employees, and there are thousands of shops owned and operated by individual proprietors. But regardless of their size and complexity, most businesses are organized in one of three ways. These are described in *Business Organization*.

- **Sole Proprietorships.** Sole proprietors are individuals who own and operate their own businesses. While sole proprietorships account for only a portion of the sales, assets, and profits of American business, they represent the overwhelming majority of business enterprises.

- **Partnerships.** A business owned jointly by two or more individuals is called a partnership. Most partnerships in the United States are small businesses operating in the same industries as sole proprietorships. Partnerships bring additional capital and people with complementary skills and experience to a business.

- **Corporations.** Most large businesses in the United States are organized as corporations. Corporations are owned by stockholders who purchase "shares" in return for the right to vote on certain company policies and to receive a portion of the corporation's profits. Corporations can acquire the large amounts of money needed for undertakings beyond the scope of most proprietorships or partnerships.

The Social Responsibility of Business

Once it was sufficient to describe the goal of business enterprise as the effort to provide a worthwhile good or service at a reasonable price in order to make a profit. Not so today. U.S. businesses also are expected to be "good citizens." Most people would agree with the Committee for Economic Development that:

"Many of the actions of business firms (e.g., how many and who are employed, how scarce raw materials are utilized, the reliability and the safety of the products sold) affect the well-being of the society, and thus can be described as social actions. It is also clear that business is being asked to assume broader responsibilities to society than ever before, and to serve a wider range of human values (e.g., to employ the physically handicapped; to provide advancement opportunities for minorities; to assist in overcoming urban blight; to support educational, art, and other cultural institutions). These and similar expectations have come to be called social responsibilities."[1]

[1] *Measuring Business's Social Performance: The Corporate Social Audit* (New York: Committee for Economic Development, 1974), p. 2.

Business and Social Responsibility helps students explore issues related to corporate citizenship.

The Role of Government

Many disagree about the government's role in the economy. Despite the controversy, we can distinguish five economic functions that government has been fulfilling more or less effectively (depending upon one's viewpoint). These are:

- Establishing and enforcing a set of "rules of the game" by which private property is protected, legal relationships are recognized, public utilities are regulated, and standard [illegible]s and measures are established;
- Redistributing income and wealth through progressive taxation and entitlement programs;
- Promoting and protecting competition;
- Producing, in the public interest, goods and services the private sector does not produce;
- Regulating the economy with policies designed to promote full employment, economic growth, and price stability.

Issues at Eigentown provides an opportunity to explore some of government's responsibilities. It also gives students a chance to discuss which government services could be provided by private enterprise.

The Circular Flow

The principal components of our free enterprise system are its business firms, households (or consumers), and government. The relationship of one to the other can be illustrated as a series of flows. *Business and Your Community* illustrates how individuals (living in households) supply their labor and capital to business firms in exchange for payments (wages, interest, rent). Business uses these resources to produce goods and services which they sell to the households.

Government is related to the other sectors of the economy. Payments are made to government employees. Payments, goods, and services also flow back and forth between government and business. Business provides goods and services to government, while business taxes and fees pay for government services.

The Business Cycle and Economic Indicators

Historically, the economy has followed a series of ups and downs called the business cycle. The cycle naturally follows a path from growth or *expansion* to a period of full employment or *peak* in which productive resources are stretched to their limits. The economy then begins to contract through a *recession*. Unemployment increases, investment slows, and factory capacity is underutilized. Eventually the economy hits "bottom" or its *trough* before it turns around and begins to expand once again.

The business cycle is reflected in a variety of *economic indicators* or statistics that students hear about frequently in the media: GDP, the inflation rate, and the unemployment rate.

- **Gross Domestic Product (GDP).** GDP is the measure of economic activity most frequently cited. GDP measures the value of all goods and services produced within a country in a single year, regardless of who owns the production facilities.

- **Consumer Price Index (CPI).** The CPI measures the monthly change in the price of a "market basket" of goods consumers commonly purchase. CPI is the most frequently mentioned indicator of inflation.

- **Unemployment Rate.** The unemployment rate indicates the number of adults seeking but unable to find a job.

Economic Indicators gives students an opportunity to analyze economic data from the last decade for GDP, the Consumer Price Index, and unemployment statistics to better understand recent changes in the business cycle.

Activity Sequences

Enterprise in Action is a sequential program; the activities build from one to the next. However, the program does allow for some variations based on the students' ability levels, the number of activities presented, and the length of time available for each presentation. Following are two possible sequences. Of course, you and the teacher are free to develop your own sequence based on your interests and the needs of the students.

	Standard Sequence	Enriched Sequence
1.	A Consumer Hit Parade	A Consumer Hit Parade
2.	Enterprise in Action	Enterprise in Action Caps –Computer management simulation
3.	The Wheel of Enterprise	The Wheel of Enterprise Life Skills–Developing a Business Plan
4.	Burger Breakdown	Burger Breakdown Life Skills–Revising a Business Plan
5.	Great Hats, Lots of Hats	Great Hats, Lots of Hats Caps–Computer management simulation
6.	A CAPital Market	A CAPital Market Life Skills–Problems in Supply and Demand
7.	From Producer to Consumer	From Producer to Consumer Caps–Computer management simulation
8.	Business and Your Community	Business and Your Community
9.	Business and Social Responsibility or Issues at Eigentown	Business and Social Responsibility or Issues at Eigentown
10.	Economic Indicators	Economic Indicators

The Life Skills activities listed here have accompanying pages in the student manual, *Enterprise in Action*.

A CONSUMER HIT PARADE

OVERVIEW

The consultant introduces himself or herself to the class, explains the purpose of Enterprise in Action, and describes his or her background and job. Working in groups, the students discuss products and services they feel are important in their lives. They then realize that virtually every good or service they value is provided by a business.

OBJECTIVES

The students will:

- identify the goods and services that impact their daily lives and
- explain that in the U.S. free enterprise system businesses provide most of the goods and services consumers want.

PREPARATION

Obtain brochures, an annual report, a video, sample products, or other resources you can use to describe your job or firm and the role it plays in your community. Consider giving students inexpensive promotional items with your logo such as pencils or key chains.

Plan to distribute the student booklets, *Enterprise in Action*, during the activity. Have the students complete the Letter Home. (Option: Write your own Letter Home on your firm's letterhead to introduce yourself and the program to the students' parents or guardians.)

Review the activity plan and complete A Consumer Hit Parade worksheet on page 2 of *Enterprise in Action* for yourself. Be prepared to discuss and use the Life Skills activity following this plan.

Once you are comfortable with the activity, you may wish to use the outline that follows it to help you prepare.

MATERIALS

- *Enterprise in Action*
- Table tents (optional)
- Pens or pencils (not in kit)

PRESENTATION

Introduction

10 minutes

Introduce yourself. Briefly explain to the students that you will be visiting their class to help them learn more about business and the U.S. economic system. Be sure the students understand that you are a volunteer and that you are representing Junior Achievement and your company.

Describe aspects of your high school experience, college years, or work experiences that will interest them.

Distribute the table tents. Ask the students to write their names and draw a symbol that represents a special skill or interest on the tents. Then allow students to introduce themselves to you. Or ask students to complete the "Getting to Know You" cards included in the kit.

Describe your job. Be specific. Help the students visualize your daily routine. You may wish to use a brief video that describes your firm or department. Emphasize the education and training needed for your job and other jobs in your company. If appropriate, distribute brochures or sample products for the students to examine.

Distribute the student booklet, *Enterprise in Action*, and ask the students to complete the Letter Home, tear it out, and share it with their parents or guardians.

15 minutes

Activity–A Consumer Hit Parade

Explain that your business produces goods or services customers want, and point out that there are thousands of other businesses in the United States producing goods and services that young people want.

Ask the class to turn to page 2, A Consumer Hit Parade, in *Enterprise in Action*.

Explain that the exercise will help the students identify some of the goods and services they buy frequently and some of the ones that impact their lives almost every day.

A Consumer Hit Parade asks the following questions.

1. List five goods or services you buy when you have a few extra dollars ($5-$20); e.g., CDs, snacks, T-shirts, and movie tickets.
2. List five goods or services your family bought in the last month that it needed; e.g., tires, school supplies, and visits to the doctor.
3. List five goods or services you would buy if price were no object; e.g., new clothes, vacations, and concert tickets.
4. List five goods or services you or your family use frequently that impact the way you live; e.g., cars, aluminum foil, washer/dryer, TV, and microwave.

- Divide the class into groups of four or five students. Encourage them to discuss the questions for A Consumer Hit Parade and develop a group answer.
- Ask each group to select a spokesperson or reporter. (If this proves difficult for some groups, assign the reporters yourself.)
- Allow the groups approximately 10 minutes to answer the questions.
- As the groups work, draw four columns on the chalkboard–one for each question on the worksheet. Then walk about the room to check on the progress of the different groups.

15 minutes

This listing activity will give you valuable insight into the interests and values of the students in your class.

Remember the comments for use as examples in future discussions.

Discussion

When all groups are finished, ask each reporter, in turn, to name one item from his or her group's answers to question one. Ask the reporters to add only new or different items to the list. Write the responses on the board in column one.

Continue in this manner through each of the questions. List the students' responses under the appropriate headings on the chalkboard. Comment and ask why particular goods and services were selected.

Identify common characteristics, if any, in the items students list. Ask if they think a group of adults or a group of elementary students would answer differently.

Summary and Review

5 minutes

Conclude by restating the following important ideas:

- You, your family, and others like you need and want all kinds of goods and services.
- Businesses produce a wide variety of goods and services. Virtually every good or service listed is provided by a business.
- In the United States, businesses that are owned and operated by private citizens provide almost everything we want and use.

Even large corporations are really owned by individual stockholders. You will have an opportunity to discuss different types of business ownership in more detail in "Business Organization."

Explain that over the next few weeks the students will develop a better understanding of the importance of businesses and how they operate in the U.S. economy.

Tell the students that you enjoyed your time with them and that you are looking forward to being with them again next week.

Life Skills—Business, Business Everywhere

Ask the students to make a list of all the businesses they visit during the next week and to notice the variety of goods and services provided by these businesses.

Then ask them to pick one product they see and draw a chart or diagram that illustrates how many different businesses and how many different people are needed to produce that product and offer it to consumers. For example, a cotton T-shirt starts on a cotton farm where the cotton is picked and cleaned. The cotton is spun into thread and is woven into cloth. It is dyed, cut, and sewn into a T-shirt, then probably sold and shipped to a wholesaler and finally to a retailer. Each step along the way involves a different business and people with many different skills and abilities. Each step also uses various types of equipment, which also was produced by yet other businesses.

Even the simplest products are really incredibly complex to produce and sell!

PRESENTATION OUTLINE–A Consumer Hit Parade

I. Introduction

A. Describe Enterprise in Action and your role as a volunteer.

B. Describe your job, company, its goods or services, and customers.

II. Activity–A Consumer Hit Parade

A. Divide the class into four or five groups and ask each group to select a "reporter."

B. Direct students to A Consumer Hit Parade on page 2 of *Enterprise in Action* and ask them to work together to answer the questions in each box.

III. Discussion

A. What goods or services do students buy when they have a few extra dollars?

B. What goods or services did students or families purchase that they needed?

C. What goods or services would students buy if money were no object?

D. What goods or services do students or their families own or buy frequently that affect the way they live?

IV. Summary and Review

A. Businesses produce a variety of goods and services.

B. The goods and services we want most are provided by businesses.

C. Businesses in the United States are owned and operated by private citizens.

D. In the next few weeks the students will learn about the importance of businesses in our lives and how they operate in the U.S. economy.

V. Life Skills–Business, Business Everywhere

A. Students identify the variety of goods and services available.

B. Students identify the people and businesses needed to produce and bring a good or service to market.

ENTERPRISE IN ACTION

OVERVIEW

The students learn about the pillars of free enterprise–private property, competition, and the price system–through role-playing activities that illustrate the benefits of competition and the impact of pricing and marketing decisions on businesses. This activity introduces important concepts that will be emphasized throughout the curriculum.

OBJECTIVES

The students will:

- explain how business ownership provides incentives that lead to the efficient use of resources;
- explain the relationship between competition, price, and the variety of products for sale; and
- list the benefits of competition for consumers; e.g., low prices, high quality, variety, and improved service.

PREPARATION

Find and separate the candy coupons in your Materials Envelope. You will need $2.20 in coupons for approximately one-half of the students. (Each column of coupons is worth $1.10.)

Obtain four types or flavors of inexpensive candies for the role-playing exercises.

- 36 pieces of an identical type or flavor. (Jaw breakers, peppermints, or similarly wrapped candies will work well.)
- 4 each of three different flavors or types of candy.

Purchase enough candy so that each student will be able to have at least one or two pieces when the activity is complete. Ask the teacher about school rules regarding eating candy in classrooms. If candy is impractical, simple, inexpensive novelty items can be substituted; e.g., pencils, key chains, etc.

Review the competitive environment for your business. Be prepared to discuss how competition directly affects you and your business. Be prepared to use the Life Skills exercise following the activity plan. It encourages students to think about the role of competition in their lives.

Once you are comfortable with the activity, you may wish to use the outline that follows it to help you prepare.

MATERIALS

- Table tents (optional)
- Candy coupons (Materials Envelope)
- Poster paper, markers, etc. (optional)
- Candies or substitute product (not in kit)

PRESENTATION

Introduction

5 minutes

Greet the students and remind them that in the previous activity they listed goods and services they buy, goods and services they would like to buy, and goods and services that impact their lives. In the process they learned three things:

- People want a variety of goods and services.

- Businesses provide most of the goods and services we use.
- Businesses are owned and operated by private citizens.

Explain that during this session they will learn how businesses in the United States decide what goods and services to produce.

20 minutes

Activity–Candy Company Competition

Explain that the class will be participating in a role-playing exercise to illustrate how important business decisions are made under different circumstances. In each case, candy producers–business owners who make and sell candy–will try to sell as many candies as possible to consumers–people who buy and use goods and services and want to get the most candies for their money.

Session I – Price Competition

Make sure that producers understand that they want to sell as many candies as possible at as high a price as they can. Producers may wish to write their price on the chalkboard. They can erase and change the price as negotiations proceed.

Identify **four** candy producers (businesses) and **eight** candy consumers (customers). Call them to the front of the room. **Give each producer four candies of the same type or flavor.** Explain that it costs 25 cents to produce each candy, but that each producer is free to set and charge his or her own selling price. (Making sales will be easier if prices are expressed in 10-cent increments; e.g., 50 cents, 60 cents,..... $1.00, etc.)

Give each consumer $2.20 in candy coupons.

Consider writing the cost of producing a candy on the chalkboard (25 cents) and calculating sales and profit for each candy company after each trading session.

Instruct the consumers to negotiate with the candy producers to use their coupons to buy candies. Consumers may "bargain" with each producer. Allow two or three minutes for the producers and consumers to negotiate prices and sales. Encourage students who are not engaged in buying or selling to observe closely. Everyone will have a chance to play one or more roles.

After negotiations are complete, ask the following questions:

- What price did each producer charge at the beginning of the exercise?
- What happened to prices as negotiations proceeded?
- Which producer sold the most candies? Why?
- Other than lowering price, what could producers do to sell more candies?

  Improve quality or provide a wider variety of candies.

While trading proceeds, consider selecting students to be candy producers in the next session. They can begin developing an advertisement or bargaining strategy.

Collect the unsold candies. Consumers may keep the candies they purchased. Ask the teacher if the students can eat the candy in class.

Session II – Product Differentiation

Again, consider calculating and posting the sales and profits for each producer.

Identify four different candy producers and eight more candy consumers. **Give each producer four pieces of a different type of candy to sell;** for example, one producer will sell peppermints, a second will sell butterscotch, the third caramels, and the fourth cherry candies. As in Session I, each candy costs producers 25 cents to produce.

Give each consumer $2.20 in coupons. After the session, collect the coupons and unsold candies and ask the following questions:

- What influenced different consumers to purchase different types of candies–price, taste, sales skills?
- How does competition benefit candy consumers?

  It helps keep prices low and encourages variety.

Session III – Advertising

Identify four different candy producers and eight consumers. (Be sure every student has had at least one chance to buy or sell candy.) **Conduct trading as in Session I. Give all four producers four pieces of the same type of candy.** Give each consumer $2.20 in coupons. But ask each producer to come up with an idea for encouraging consumers to buy his or her candies; e.g., a two-for-one sale, free delivery, imaginative advertising, etc.

Give students a few moments to create a sign or develop a promotional plan before they start trading.

After the session be sure that each student received one or two pieces of candy. Give the teacher all the unsold candy to distribute at a later time.

Ask the following questions:

- Did advertising influence consumers' decisions?
- Do consumers benefit from advertising and other promotions?

  They benefit from sales and information about goods and services.
- Does advertising impact sales in real life? Give an example.

Compare the candy producers' decisions to decisions made in your company.

- Is your company in competition with many other businesses that provide similar goods or services?
- Does your company study its competitors, especially their prices?
- What does your business do to attract customers? Does it make an extra effort to listen to their needs?

Discussion

15 minutes

Ask the following questions to focus on the objectives of the trading sessions:

- Based on the trading sessions, what did producers do to increase their sales?

  Lowered prices, produced a greater variety of candies, advertised, provided better services, etc.
- Name examples of businesses that use these strategies.
- In business, who makes decisions about what to produce, the price to charge, services to provide, advertising strategies to use, etc.?

  Owners and managers. The right to private property gives owners the freedom and the responsibility to set the prices they will charge for the goods and services they produce. Mention the education and training most business owners and managers need.

▲ What incentive do businesses have to charge low prices, provide extra services, and improve product quality?

Business owners want to please customers to increase sales and **profits**. In reality customers tell business owners what to produce!

Profits–A company's earnings after it has paid its expenses.

▲ What were the benefits of competition to the customer? Relate student responses to relevant examples. Prompt students to identify:

Improved quality–computers, televisions, and athletic equipment;

Better service–better automobile warranties, pizza delivery, and radio dispatched plumbers;

Development of substitutes–artificial sweeteners and margarine; and

New jobs–new and improved products stimulate entrepreneurs to build new plants or other businesses.

▲ What effect does competition have on businesses?

Businesses primarily use three methods to improve their product and efficiency:

Innovation–developing new and improved products like compact disks and calculators;

Increased productivity–using robots on assembly lines;

Training–helping employees be happier, healthier, and more efficient at work.

Again, point out the level of training and education needed to develop new ideas, products, and procedures in established businesses.

5 minutes

Summary and Review

Because businesses are "private property," owners set prices and decide what to produce. Smart business owners will provide products consumers want at a price they are willing to pay. In the United States this means competing with other business owners to produce better and more affordable goods and services. Thus the rights to own private property, set prices, and compete for customers' dollars form the foundation of the United States economic system.

Tell the students you enjoyed the activity and look forward to being with them again.

Life Skills–Competition

Discuss the role of competition in the students' lives–in sports, for grades, and maybe even for jobs. Determine how they feel about competition. Do they enjoy competition, or do they consider it harmful? Describe how competition impacts your life and business.

Read the article and questions on page 3 of *Enterprise in Action*, Competition–What's in It for You? and discuss the costs and benefits of the intense competition in the athletic shoe industry.

Caps–Consider using Junior Achievement's computer simulation, *Caps*, to illustrate the impact of competition on business decision making. Ask your local Junior Achievement office for information.

PRESENTATION OUTLINE–Enterprise in Action

I. Introduction

A. Businesses provide most of the goods and services we use. In the United States, businesses are owned and operated by private citizens.

B. How do business owners decide what to produce?

II. Activity–Candy Company Competition

A. Session I–Candy producers compete to sell identical candies (price competition).

B. Session II–Candy producers compete to sell different types of candies (product differentiation).

C. Session III–Candy producers compete to sell identical candies. They differentiate their products by price, marketing, and service.

III. Discussion

A. What strategies do businesses use to increase sales?

B. Who makes decisions about what to produce, prices to charge, advertising strategies, etc.?

C. What incentives do producers have to charge low prices or improve quality or services?

D. What are the benefits of competition? What effect does competition have on businesses?

IV. Summary and Review

A. Businesses are private property.

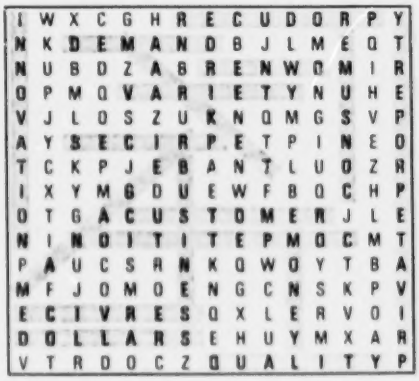
B. Owners set prices and decide what to produce.

C. Businesses compete to serve customers and earn a profit.

V. Life Skills–Competition

A. What is the role of competition in the students' lives?

B. Students ready competition–What's in It for You? on page 3 of *Enterprise in Action* and answer the questions.



I	W	X	C	G	H	R	E	C	U	D	O	R	P	Y
N	K	D	E	M	A	N	D	B	J	L	M	E	Q	T
N	U	B	D	Z	A	B	R	E	N	W	O	M	I	R
O	P	M	Q	V	A	R	I	E	T	Y	N	U	H	E
V	J	L	O	S	Z	U	K	N	Q	M	G	S	V	P
A	Y	S	E	C	I	R	P	E	T	P	I	N	E	O
T	C	K	P	J	E	B	A	N	T	L	U	O	Z	R
I	X	Y	M	G	D	U	E	W	F	B	Q	C	H	P
O	T	G	A	C	U	S	T	O	M	E	R	J	L	E
N	I	N	O	I	T	I	T	E	P	M	O	C	M	T
P	A	U	C	S	R	N	K	Q	W	O	Y	T	B	A
M	F	J	O	M	O	E	N	G	C	N	S	K	P	V
E	C	I	V	R	E	S	Q	X	L	E	R	V	O	I
D	O	L	L	A	R	S	E	H	U	Y	M	X	A	R
V	T	R	D	O	C	Z	Q	U	A	L	I	T	Y	P

THE WHEEL OF ENTERPRISE

OVERVIEW

The students discuss the importance of innovative ideas to organizing and managing a business. They are introduced to the basic ingredients necessary for operating a business.

OBJECTIVES

The students will:

1. define entrepreneur;
2. identify the basic human, capital, and material resources needed to operate a small business in the United States; and
3. classify business resources as *capital*, *human*, or *material*.

PREPARATION

Obtain information about the history of your company–or another–of interest. How was it started? What obstacles did the founders face? How did they overcome these obstacles? What was the company's vision for the future?

Review The Wheel of Enterprise worksheet on page 5 of *Enterprise in Action* so you can help the students complete it. If you plan to use the Wheel of Enterprise transparency, be sure the teacher has access to an overhead projector. Also, be prepared to use the follow-up, Life Skills–Developing a Business Plan, if needed.

Once you are comfortable with the activity, you may wish to use the outline that follows it to help you prepare.

MATERIALS

- *Enterprise in Action*
- Table tents (optional)
- Transparency marker (optional)
- Pens or pencils (not in kit)
- Wheel of Enterprise transparency (optional)
- Overhead projector (optional, not in kit)

PRESENTATION

5 minutes

Many consultants ask the students to explain the important ideas they have been learning. They sometimes give small prizes or Junior Achievement dollars to students who respond. See "Ongoing Activities" in your Materials Envelope for ideas for using the money.

Introduction

Greet the students and ask them to list a few of the ideas you have discussed in previous visits. Prompt them to recall the following ideas.

- Businesses, owned and operated by private citizens, provide most of the goods and services we use.
- Owners and managers decide what to produce, how to produce it, what price to charge, what marketing strategy to use, etc.
- Businesses compete with one another for customers, and customers eventually determine which businesses succeed.

Discussion

15 minutes

Ask the students if they have ever thought about owning their own businesses. Ask them what types of businesses they might like to own.

- List the students' business ideas on the chalkboard. Briefly discuss the knowledge, skills, or training they might need to manage their own businesses.

- Ask the students why they would or would not want to be business owners.

Explain that a person who starts a business and accepts the risks of operating a business in hopes of making a profit is called an **entrepreneur.**

Most entrepreneurs start their businesses because they have ideas for new or better ways to produce goods or services. Point out that many successful businesses have started from relatively simple ideas of men and women who had the determination to turn them into businesses.

- Mention examples of business leaders the students may be familiar with. If appropriate, describe the idea or vision behind your business or firm, or distribute *Enterprise in Action* and ask them to read "Entrepreneurs" on page 4.

- Ask, "What type of person becomes an entrepreneur? Do entrepreneurs need special training and skills?"

  Answers should provide insight into the personalities and ambitions of the students as they consider the risks involved in owning a business.

  People of all types—young and old, male and female, highly educated and high school dropouts—have been successful entrepreneurs. However, all entrepreneurs work hard to make their ideas succeed.

Entrepreneur—a person who accepts the risks of owning a business in the hope of earning a profit. Entrepreneur is a French word describing someone who "undertakes." Here are some famous entrepreneurs.

- **Henry Ford** produced automobiles the average person could afford.
- **Walt Disney** had an idea for an amusement park.
- **Madame C.J. Walker** discovered a hair treatment for African Americans.
- **Linda Alvarado** is CEO of her own construction company and part owner of the Colorado Rockies baseball team.
- **Ray Kroc** developed a new way to produce and sell hamburgers.
- **Debbi Fields** developed a new chocolate chip cookie recipe.
- **John H. Johnson** started *Ebony*, a magazine for African Americans.

Activity—Cookie Company Ingredients

20 minutes

To help the students better understand the resources needed to start a business, work with them to identify people, capital, materials, and other things needed to start a chocolate chip cookie company.

Distribute *Enterprise in Action* and ask the students to open it to The Wheel of Enterprise on page 5.

Explain that all businesses start with ideas. But unless there are **markets** for those ideas, the businesses will fail. Ask the students to list possible markets for chocolate chip cookies and to fill in the blanks in that section of The Wheel of Enterprise.

Call on three or four students to report on the *markets* they identified.

Before completing the rest of the chart, ask the students to verbally list the **Capital, Materials,** and **Human Resources,** they would need to operate a cookie business.

- To involve everyone, ask each student to name one item or resource a cookie company would need. Allow students to pass if they cannot think of a new or different ingredient.

Market—the people interested in purchasing a good or service.

Capital—resources used to produce goods and services, e.g., machinery, buildings, trucks, etc.

Materials—the raw goods needed to produce a product.

Human Resources—the people who produce and sell goods or services.

Have the students work individually or in small groups. In some classes it may be best to guide the students through the exercise. Consider using the transparency of the Wheel of Enterprise in your kit and complete it along with the students.

Write the students' ideas on the chalkboard. When the students have exhausted their ideas, ask them to read the definitions for the "capital," "materials," and "human resources" sections of the wheel in The Wheel of Enterprise worksheet and fill in the blanks on the wheel using words listed on the chalkboard.

▲ An oven is *capital*, for example, and chocolate chips are *materials*; a baker is a *human resource*.

Move around the classroom to assist the students and answer questions. If the students are having difficulty, complete the exercise as a whole class.

Marketing–everything that takes place between production and a purchase.

Explain that resources are combined to produce cookies. Additional materials and human and capital resources are needed to deliver cookies to customers–to a market. This is called **marketing**.

Exchange–customers exchange money for goods or services.

Profit–the money left over after expenses have been paid.

The Wheel of Enterprise is completed when customers **exchange** money for a good or service. Businesses are successful when they make a **profit**.

5 minutes

Summary and Review

When the students have completed their worksheets, review The Wheel of Enterprise categories and review the importance of each section of the wheel.

As you proceed, review the items students classified as market, capital, materials, human resources, and marketing. Identify the knowledge and skills an entrepreneur would need to manage a cookie company–baking, bookkeeping, advertising, supervising employees, etc.

Explain that understanding the importance of all the ingredients a business needs for success will help an entrepreneur prepare a better business plan and make better management decisions.

Life Skills–Developing a Business Plan

Developing a simple business plan will help the students apply their understanding of the categories of resources and business activities included in The Wheel of Enterprise. Use one of your Enterprise in Action class sessions for this activity, or ask the students to complete the exercise between visits.

Brainstorm a variety of ideas for businesses. Allow students to be creative, but encourage them to think of goods or services they could actually provide such as an outdoor popcorn concession, a car-washing service (at the customer's home), a baby-sitting service, a lawn-mowing service, an errand service, a recycling service, or a dog-walking service. Then divide the class into business planning groups of four or five students each.

Ask the groups to use the Business Plan worksheet on page 7 of *Enterprise in Action* to develop a plan for a small student-run business. Allow the students to use their own business ideas if they wish.

Ask each group to be prepared to present its plan to the class. Consider inviting a banker or some other expert to listen to the plans and give a small prize for the best ones.

Caps–If you are using or plan to use *Caps*, complete The Wheel of Enterprise and the Business Plan worksheets for a cap company.

PRESENTATION OUTLINE—The Wheel of Enterprise

I. Introduction

A. Private businesses provide the goods and services we use.

B. Owners and managers decide what to produce, how to produce it, what price to charge, what marketing strategy to use, etc.

C. Businesses compete with one another for customers, and customers eventually determine which businesses succeed.

II. Discussion

A. Would anyone like to own a business? What types? Why? Why not?

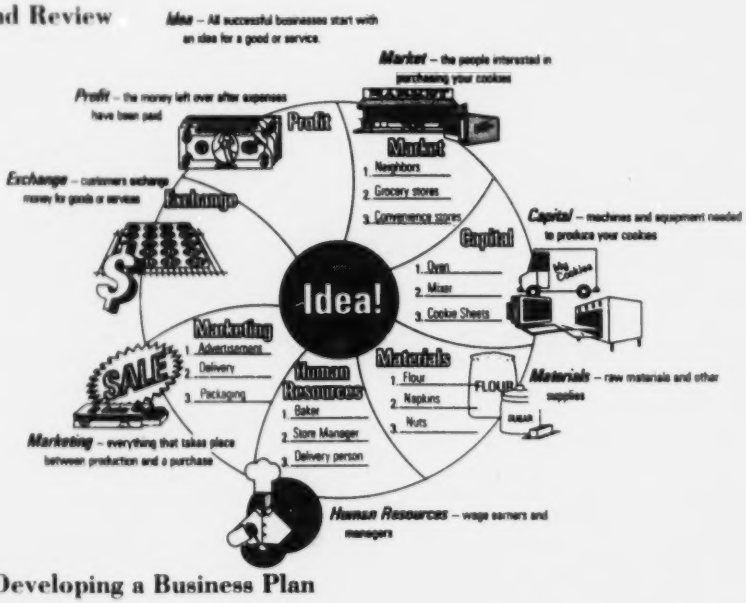
B. Define entrepreneur.

III. Activity—Cookie Company Ingredients

A. List resources a cookie company needs.

B. Classify resources using The Wheel of Enterprise.

IV. Summary and Review



V. Life Skills—Developing a Business Plan

A. Brainstorm business ideas.

B. Divide into business planning groups and complete the Business Plan worksheet on page 7 of *Enterprise in Action.*

25

BURGER BREAKDOWN

OVERVIEW

The students focus on a hamburger restaurant to analyze the costs of producing and selling a product. They also review the importance of private property, the price system, competition, and profit in the U.S. free enterprise system.

OBJECTIVES

The students will:

- identify typical expenses facing most small businesses and
- define profit.

PREPARATION

Determine your company's average rate of profit based on sales. If possible, determine the major per unit costs associated with producing its principal good or service.

Review the Burger Breakdown worksheet in *Enterprise in Action*, page 8. If you wish to use the Burger Breakdown transparency, be sure the teacher has access to an overhead projector. Be prepared to use the brief follow-up, Life Skills–Revising a Business Plan, if needed.

Once you are comfortable with the activity, you may wish to use the outline that follows it to help you prepare.

MATERIALS

- *Enterprise in Action*
- Table tents (optional)
- Transparency marker (optional)
- Pens or pencils (not in kit)
- Burger Breakdown transparency (optional)
- Overhead projector (optional, not in kit)

PRESENTATION

10 minutes

Introduction

Greet the class and explain that you are in the mood for a big, juicy burger. Ask the following questions:

- Where do you get the best hamburger in town?

  Let them debate the question to start the class discussion.

Remind the class that most resources in the U.S. economic system are owned by private citizens. In some countries the productive resources are owned or controlled by the government.

- Can anyone start a hamburger restaurant?

  Everyone in the U.S. economic system has the right to own a business.

- Why are there so many businesses that sell hamburgers?

  Each owner believes he or she can make a profit because people buy a lot of burgers; burgers are in demand. The desire to make a profit motivates entrepreneurs to start or improve businesses.

- Which hamburger restaurant has the best prices right now? (Is the *lowest* price the *best* price?)

  When several businesses sell similar products, they must compete to earn a profit. Offering special pricing is one way competition benefits the consumer.

Setting prices is an important responsibility of managers and owners. But they must select a price customers are willing to pay!

Remind the class that businesses need *capital*, *materials*, and *human resources*. Write these terms on the chalkboard.

- Ask the students to name the resources needed to open and operate a hamburger restaurant.

  To involve everyone, ask each student to name one specific resource a hamburger restaurant would need. Allow students to pass if they cannot think of a new or different resource.

The list need not be exhaustive, but students should realize there is much more to a hamburger than meat and a bun.

List the students' responses on the chalkboard under the appropriate headings.

Point out that all of the items listed cost money and that there are other costs the students probably did not think about.

Activity—Burger Breakdown

25 minutes

Direct the students to open *Enterprise in Action* to page 8 and complete the Burger Breakdown worksheet. For example, on Line A guess the cost of the meat and bun.

After students have guessed the costs of the various ingredients in a hamburger, list each item on the chalkboard or on the Burger Breakdown transparency. Ask the students for their guesses. Determine the high and low guesses for each item, then write the correct amount from the answer key on the board. (See margin note on the next page for answers.)

If you wish, allow the students to work in groups of two or three to guess the costs of the ingredients in a typical burger.

Ask the following questions:

- How much money does the owner make for each burger he or she sells? How many would she have to sell to earn $50 in profits? (Over 450)

- How many burgers would she have to produce to make up for one burger an employee gave to a friend? (Approximately 13)

  Give the students some time to do the arithmetic, or compute it on the chalkboard with them.

- Why is it so important to owners and managers that their employees are honest?

  Dishonest employees affect the ability of a business to make a profit.

- If you were the owner of Burger Bonanza, what are some things you could do to increase profits?

  Based on the information available, the ways to increase profits are by cutting costs, by increasing revenues through greater sales, or by raising prices.

In advanced classes, you may introduce fixed and variable costs.

Fixed costs remain the same no matter how much business a firm does. Fixed costs include rent for buildings and equipment, salaries, and insurance and fees. In a hamburger restaurant utilities and maintenance won't change much either.

Variable costs increase or decrease with the volume of business. The cost of meat, buns, and hourly workers are variable costs.

As you discuss these questions, describe things your company does to increase sales and profits.

If time permits, repeat the exercise for products your company produces.

10 minutes

Summary and Review

Explain that a hamburger restaurant–like most other businesses in the United States–takes advantage of private property, the price system, competition, and the profit motive.

Most hamburger restaurants are businesses owned by private individuals or companies; they set their own prices and they compete with one another to make a profit. They also buy their buns, meat, grills, advertising, and furniture from other privately owned companies competing to make a profit.

Emphasize that businesses pay for the capital, materials, and human resources they need to operate. The money left after they have paid their bills is profit. Most businesses make profits of less than 10 percent.

Burger Breakdown Answers

Cost Breakdown of a "Bonanza Burger"

Selling price		***$1.45***
A. Raw materials (bun, meat, etc.) and packaging	.57	
B. Labor (management and crew) and payroll taxes	.37	
C. Advertising and promotion	.07	
D. Utilities	.03	
E. Equipment maintenance	.03	
F. Miscellaneous expense (office supplies, trash removal, etc.)	.03	
G. Rent and fees to Burger Bonanza Corporation	.16	
H. Insurance and license fees	.02	
Total expenses (A through H)		1.28
I. Income before taxes *(selling price - total expenses)*	.17	
J. Corporate federal income tax *(34% x income before taxes)*	.06	
Net profit (I - J)		.11

Life Skills–Revising a Business Plan

- Keeping the Competitive Edge on pages 44-47 of this guide offers several additional discussion questions to help students understand the importance of honest and efficient managers and employees in a hamburger restaurant. It may be a good follow-up to Burger Breakdown
- Ask students to return to the business plan activity and estimate the costs involved in starting and running the businesses they selected. Ask them to classify expenses as *fixed* or *variable*.
- **Caps**–If you are using *Caps*, identify the fixed and variable costs associated with the custom cap companies. What strategies seem to produce the greatest profits? Can more than one strategy be successful?

PRESENTATION OUTLINE—Burger Breakdown

I. Introduction

A. Where do you get the best hamburgers in town?

B. Can anyone start a hamburger restaurant?

C. Why are there so many hamburger restaurants?

D. Which hamburger restaurant has the best prices?

E. What capital, materials, and human resources do you need to start a hamburger restaurant?

II. Activity–Burger Breakdown

A. Students guess the costs of making one hamburger.

B. Discuss implications of the costs associated with producing and selling a hamburger.

1. What profit does a typical hamburger restaurant make on each burger it sells?
2. What are the implications of theft or waste to profit?
3. How can businesses increase profits?

III. Summary and Review

A. Review the importance of private property, the price system, competition, and the profit motive in our economic system.

B. Review the variety of expenses typical businesses have.

IV. Life Skills–Revising a Business Plan.

A. Determine fixed and variable costs for a hypothetical company.

B. Use *Caps* or Keeping the Competitive Edge to explore additional strategies for reducing costs and increasing profits.

BUSINESS ORGANIZATION

OVERVIEW

The students compare the principal characteristics of sole proprietorships, partnerships, and corporations as they follow the growth of a T-shirt business from a small sole proprietorship to a chain of T-shirt shops. They also discover the principal strategies businesses use to finance their operations.

OBJECTIVES

The students will:

- describe the principal characteristics of a sole proprietorship, partnership, and corporation;
- list one key advantage for sole proprietorships, partnerships, and corporations; and
- describe the principal means for financing the start of different forms of businesses.

PREPARATION

Review the reading, Teresa's Ts, and the chart on pages 9-10 of *Enterprise in Action* and be prepared to help the students fill in the blanks. If you wish to use the Business Organization transparency, be sure the teacher has access to an overhead projector.

Review your own company's organization. Find examples the students are likely to recognize of proprietorships, partnerships, and corporations in your community.

MATERIALS

- *Enterprise in Action*
- Table tents (optional)
- Pens or pencils (not in kit)
- Business Organization transparency (optional)
- Transparency marker (optional)
- Overhead projector (optional, not in kit)

PRESENTATION

5 minutes

Introduction

Ask the students to quickly list the types of things they would need to start a business.

Idea, money, machines and other capital equipment, a market, materials, human resources, etc.

Emphasize the importance of having an *idea* or *vision* before starting a business. An idea provides the motivation and the energy entrepreneurs need.

Cooperatives also are an important form of business organization. Suggestions for discussing co-ops follow this activity plan.

Today there are millions of businesses in the United States–approximately 20 million–and each was started by someone with an idea!

Despite the fact that there are so many different businesses, most are organized in one of three ways: *sole proprietorships*, *partnerships*, and *corporations*. Write these terms on the chalkboard.

Activity–Teresa's Ts

30 minutes

Distribute *Enterprise in Action* and refer the students to Teresa's Ts and the chart on pages 9-10. Explain that you will be helping them fill in the chart.

Sole Proprietor–an individual who owns and operates a business. There are almost 15 million sole proprietorships in the United States. They have receipts of $700 billion.

Ask the students to read Part I of Teresa's Ts–Sole Proprietorships.

Call one student to the front of the room to play the role of Teresa. Explain that Teresa is a **sole proprietor**. She owns and operates her own T-shirt business.

Ask Teresa the following questions. (If necessary, enlist the help of the rest of the class to get answers.)

Some consultants suggest having Teresa role play applying for a bank loan.

- Where did you get the money to start your T-shirt business?

  From personal savings. Other sole proprietors borrow money from banks, family, and friends. A sole proprietor is responsible for paying back loans.

- Who will decide how much to charge for your designs and the T-shirts you sell?

  Teresa, the proprietor, makes the decisions.

- If your business is successful, who gets the profits?

  Teresa gets the profits, but she is responsible for any losses.

- What happens to your business if you decide to quit or retire?

  Teresa can sell the business, otherwise she can liquidate it (sell its inventory, racks, cases, etc.) and it ceases to exist.

Have the students complete the "Sole Proprietorships" section of the chart on page 10. (An answer key follows the activity on the Presentation Outline page.) When they have finished, summarize by emphasizing the principal advantages of being a sole proprietor; e.g., responsible for making important decisions, pride of ownership, receive profits.

Allow students to work in pairs. If the class is having difficulty, use the Business Organization transparency to complete the exercise as a class.

Ask students to read Part II of Teresa's Ts–Partnerships. When the students are finished, call another student to the front of the room to play the role of Joe. Explain that Teresa and her cousin Joe have formed a **partnership**.

Partnership–a business owned and operated by two or more people. There are about 1.5 million partnerships in the United States with receipts of more than $500 billion.

Ask Teresa and Joe the following questions. (If necessary, enlist the help of the rest of the class to get answers.)

- Where did you get the money to start your T-shirt business?

  From personal savings. Partners also borrow money from banks, family, and friends. The partners are responsible for paying back loans. Partners usually bring financial resources, but sometimes their contribution is just knowledge or expertise.

- Who will make the important business decisions for your partnership?

  Teresa and Joe will share decision making. They could specialize. For example, Joe could make business decisions while Teresa concentrates on designing T-shirts.

▲ If your partnership is successful, who gets the profits?

The partners split the profits according to their agreement. The partners also are responsible for any losses.

Corporation—a business chartered by the state and owned by shareholders. There are almost 4 million corporations in the United States. Total receipts for corporations exceed $11 trillion.

▲ What will happen to your partnership if either of you decide to quit or retire?

The partnership is dissolved and the business may cease to exist.

Have the students complete the "Partnerships" section of the chart on page 10. When they have finished, summarize the principal advantages of having a partnership; e.g., able to share decision-making responsibilities and risk, and access to more money or expertise.

Ask the class to read Part III of Teresa's Ts–Corporations. When they have finished reading, ask them to assume that Teresa and Joe decided to organize a corporation and all the students are shareholders in Teresa's Ts Incorporated.

Ask the shareholders the following questions.

▲ Where did you get the money to expand your T-shirt business?

From the sale of stock to stockholders. Corporations also borrow money from banks. The corporation is responsible for paying back loans, but no shareholder is liable for more than he or she invested.

Stock—a share in the ownership of a corporation. People who own stock are called stockholders.

▲ Who will make the important business decisions in your corporation?

The shareholders usually organize a board of directors to make major decisions. However, the board usually hires managers to make the day-to-day decisions. In this case Teresa and Joe probably would be both stockholders (owners) and managers of Teresa's Ts Inc.

▲ If your corporation is successful, who gets the profits?

Dividend—a portion of a corporation's profits paid to the owners of corporation stock.

The shareholders receive the profits in the form of dividends that are not reinvested in the corporation.

▲ What will happen to your corporation if you decide to quit or retire?

The corporation can continue. Shareholders can even sell their stock without affecting business operation.

Have the students complete the "Corporations" section of the chart on page 10. When they have finished, summarize the principal advantages of corporations; e.g., access to money, shared risk, limited liability, and unlimited life.

10 minutes

Summary and Review

Ask the students to list five to 10 businesses in the community. Then have them label each business as a sole proprietorship, partnership, or corporation.

For purposes of discussion, their labels need not be correct. It is difficult to know exactly what form of business organization a particular business is using.

Discuss the reasons for their labels. Focus on the advantages of one form of organization or another for a particular type of business.

Ask, "Does it matter to consumers if a business is a sole proprietorship, partnership, or corporation?"

Life Skills–Stock Market

Many students are interested in learning more about stocks and the stock market. The Stock Market allows students to select and track stocks. It is part of the Ongoing Activities in your Materials Envelope. If you choose to use the exercise, it will require you to spend a portion of each future class session reviewing trends in the stock market and giving students time to buy or sell stock.

A Note About Cooperatives

Cooperatives are important to the economic life of many communities. If appropriate, you may wish to supplement Business Organization with some of the following information.

Cooperatives (co-ops), like corporations, are chartered by states. A co-op is owned by the people using its services. There are about 19,000 co-ops in United States that do nearly $142 billion in business each year. Credit unions, mutual insurance companies, and electric and telephone utilities often are organized as cooperatives. Ocean Spray Cranberry and the Associated Press are examples of well–known cooperatives.

There are two basic types of cooperatives–producer co-ops and consumer co-ops. For example, if a school store were organized as a consumer co-op,

- interested students would purchase memberships in the cooperative school store;
- members would meet to hire managers, give advice on items to sell, etc; and
- members would receive dividends from school store profits based on the quantity of their purchases.

What would be the advantages of having a cooperative? What would be the disadvantages? Why aren't there more cooperatives?

Producer co-ops allow members to share the cost of expensive capital equipment. For example, wheat farmers sometimes join together in a cooperative to purchase expensive farm equipment and machines. They would share the machinery and rent it to nonmembers.

List some advantages and disadvantages of participating in a producer co-op.

Answer Key for page 10–Business Organizations

	Sole Proprietorships	Partnerships	Corporations
1. Who are the owners?	Teresa	Teresa and Joe	The stockholders
2. Who provides the money to start operations?	Teresa–she uses her savings, or borrows from family, friends, or banks	From partners' savings, or loans from friends or banks	Stockholders or banks (loans) from banks
3. Who makes important business decisions?	Teresa	Teresa and Joe	The board of directors, representing stockholders
4. Who gets the profits?	Teresa	Teresa and Joe	Stockholders get dividends
5. Who is responsible if the business loses money?	Teresa	Teresa and Joe	The managers and board; stockholders may lose their investment
6. What is the "life span" of the business?	Until Teresa retires or sells	Until Teresa and Joe retire, sell, or dissolve the partnership	Unlimited as long as it is successful

PRESENTATION OUTLINE—Business Organization

I. Introduction

A. There are over 20 million businesses in the United States, and every one started with an idea.

B. Most businesses use one of three types of business organization: sole proprietorship, partnership, and corporation.

II. Activity–Teresa's Ts

A. Students read Teresa's Ts section by section.

B. Ask the following basic questions for each form of business organization. Help the students complete the chart on page 10 of *Enterprise in Action*.

1. Where did the money come from that was needed to start (or expand) the T-shirt business?
2. Who makes important business decisions?
3. If the business is successful, who gets the profits?
4. What happens to the business if the owners decide to quit or retire?

III. Summary and Review

A. List familiar local businesses.

B. Discuss the advantage of organizing listed businesses as sole proprietorships, partnerships, or corporations.

IV. Life Skills–Stock Market

A. Use the Stock Market exercise to introduce key concepts.

B. Students select a stock portfolio.

GREAT HATS, LOTS OF HATS

OVERVIEW

The students participate in a production simulation that illustrates different strategies for monitoring and improving productivity and product quality. This activity also provides an opportunity for consultants to share strategies their companies are using to improve productivity and quality.

OBJECTIVES

The students will:

- define production, productivity, and division of labor;
- calculate productivity per worker; and
- explain why high rates of productivity and high quality standards are important to a business.

PREPARATION

Identify some of the steps your company takes to improve productivity and quality.

Gather the supplies listed below. Ask the teacher if the school has these materials on hand.

Practice folding paper hats according to the instructions on the templates in your Materials Envelope.

If you adapt the activity to use paper airplanes, booklets, or other designs, you will need to adjust the script and the templates accordingly. Be prepared to use Life Skills–Personal Productivity as a follow-up exercise.

MATERIALS

- 6 glue sticks or rolls of tape (not in kit)
- 30 colored pencils, assorted colors (not in kit)
- 200 sheets of 8 1/2-x-11-inch paper (not in kit)
- 6 hat folding instructions and templates (Materials Envelope)
- *Enterprise in Action* (optional)
- Table tents (optional)

PRESENTATION

Introduction

5 minutes

Greet the students and briefly review important ideas from previous activities.

- All businesses start with an idea.
- Businesses in the United States are usually organized as sole proprietorships, partnerships, or corporations.
- Business owners and managers must identify a market and obtain and organize the capital, materials, and human resources they need to begin operation.

Explain that today the class is going to try to assist your friend Pat. Pat organized her own business, a *sole proprietorship*. She conducted research that discovered people would pay well for fancy paper party hats. Pat's business makes and sells party hats.

35 minutes

Activity–Lots of Hats

Explain that Pat has a problem. Her party hats have become very popular–so popular, in fact, that she can't keep up with the orders.

Production–the total number of items produced.

Productivity–the total number of items produced per unit of input. Units of input are usually measured in terms of labor.

Up until now, each of Pat's professional party hat producers had personally produced each party hat. Your job is to help Pat develop a way to improve her workers' **production** and **productivity**. Write these key terms on the chalkboard.

Divide the class into groups of five and distribute your supplies–paper for hats, colored pencils, glue sticks, etc.–equally among the groups. (If paper supplies are limited, just give each group five sheets of paper for the practice period.)

Demonstrate how to fold the paper. (See the instructions in your Materials Envelope.) Give the groups five to 10 minutes to develop a production strategy and to practice making a few party hats.

- Encourage them to *specialize* in one step of the production process–folding, gluing, or decorating. This is called **division of labor**. Most groups will organize an **assembly line**.

Division of Labor–dividing production into separate steps, each performed by a different worker. Division of labor increases productivity because workers become experts at a specific task.

- Circulate among the groups to see how their plans are developing.

After the groups have decided on their strategies, distribute additional paper and allow them **two minutes to produce as many hats as possible.**

Assembly Line–a method of organizing production in which the product moves along a "line" of workers. Each worker performs one simple step in the production process.

After two minutes, have each group report:

- Its *production* strategy
- The number of hats produced
- The number of hats produced per worker–*productivity*

Record the results on the chalkboard.

When all groups have reported on their methods and results, compare the performance of different groups by discussing the following questions:

If appropriate, discuss the importance of quality in other products students and their families buy frequently. Prompt students. See Quality for Sale on page 11 of *Enterprise in Action*.

- Were there differences in productivity? Can you identify reasons for these differences? Were there bottlenecks in the production process (points where the production process slows)? Where did they occur? Why? Can they be fixed?
- Were paper and other supplies wasted due to sloppy or rushed work? Can you reduce waste? How?
- Would Pat be proud of these party hats? Ask the students to identify basic quality standards for party hats–appearance, sturdiness, fit. Do some groups need to improve the quality of their work? Why?

Activity–Great Hats

Can companies improve the quality of their products without adding to their cost?

Since party hats are easy to make, the template may not result in greater productivity. However, it should produce better quality and attention to detail.

Give each group a template and instructions for folding and gluing the hats. Emphasize the importance of producing as many hats as possible and following the instructions.

Explain that each worker is responsible for the quality of his or her part of the production process. A worker should not pass mistakes to the next worker.

If necessary, give each group more paper and a few minutes to practice producing hats using lessons learned from the first production run and the new guidelines. When all workers understand their responsibilities, begin another two-minute production period.

Consider structuring additional production runs and confronting the class with common problems in manufacturing; e.g., a shortage of raw materials, layoffs, a new worker, etc.

Collect the hats from each company and count the ones that will meet the quality standards discussed earlier.

Again, calculate productivity for each group. Did productivity improve? How about quality?

Summary and Review

5 minutes

Ask the students to summarize what happened in the activity.

- How did *division of labor* improve productivity? Did division of labor, by itself, improve quality? Why or why not?

  Division of labor has helped many manufacturing companies become more productive. Workers become experts at one task. Because they need fewer skills, training is simplified. High productivity without quality standards, however, can be dangerous if it results in a lack of concern for overall quality.

- Did the use of templates and clear instructions improve productivity and quality? Why or why not?

- How can production workers and managers work together to improve both productivity and quality?

  Many companies are emphasizing the importance of quality in all phases of their operation. Employees are being given responsibility for improving productivity and quality.

Explain that price plus quality defines *value* for many consumers. Perceived value brings customers back. If you have not already done so, explain what your company, or others in the community, is doing to improve the *value* of its goods or services.

Life Skills–Personal Productivity

Ask the students to discuss the characteristics businesses–if they are interested in producing high-quality goods or services–will want in their employees. Can they apply these concepts to their lives as students today? Discuss steps students can take to improve their personal productivity. Can they make better use of their time? Could they study more efficiently in a quiet place?

Also, the reading Quality for Sale and the Brainstrainer on page 11 of *Enterprise in Action* are good complements to this activity. Students identify the characteristics of high-quality products and examine how the color schemes of the candies in bags of M&Ms impact quality.

PRESENTATION OUTLINE–Great Hats, Lots of Hats

I. Introduction

A. All businesses start with an idea.

B. Businesses in the United States are usually organized as sole proprietorships, partnerships, or corporations.

C. Once organized, businesses can start to carry out their business plans.

II. Activity–Lots of Hats

A. Pat's Party Hats

B. Divide the class into production teams:

1. Demonstrate steps in producing a party hat.
2. Challenge teams to develop an efficient production strategy using division of labor.
3. Calculate production and productivity for each group.
4. Discuss bottlenecks and waste.

III. Activity–Great Hats

A. Distribute and explain the use of templates to ensure greater product quality.

B. Emphasize the importance of taking personal responsibility for quality.

C. Repeat the activity.

IV. Summary and Review

A. Division of labor

B. Production and productivity

C. Roles of managers and production workers in improving productivity and quality

V. Life Skills–Personal Productivity

A. Characteristics employers want

B. Ideas for improving personal productivity

C. Quality for Sale on page 11 of *Enterprise in Action*

A CAPital MARKET

OVERVIEW

The students participate in a trading activity to develop supply and demand schedules and curves. They learn how the laws of supply and demand impact their daily lives.

OBJECTIVES

The students will:

- state the law of demand–consumers buy more at low prices than at high prices,
- state the law of supply–producers offer more for sale at high prices than at low prices, and
- describe how buyers and sellers interact in markets to discover a market clearing price.

PREPARATION

Review the activity plan and request the teacher's assistance with monitoring the trading activity. (For a brief period all students will be involved in negotiating trades.) Discuss with the teacher the best location in the classroom for a "trading area."

Ask the teacher to recommend one or two students to serve as "recorders" during the trading activity.

Determine if you will use the Sales Chart transparency or the chalkboard to record transactions, calculate supply and demand schedules, and plot supply and demand curves. Separate and shuffle the Buyer and Seller cards found in the Materials Envelope.

Review the reading Supply and Demand and the exercise Problems in Supply and Demand on pages 12-15 of *Enterprise in Action*. Determine if you want to use them to reinforce key concepts introduced in this activity.

MATERIALS

- Buyer and Seller cards (Materials Envelope)
- *Enterprise in Action* (optional)
- Overhead projector (optional, not in kit)
- Sales Chart transparency (optional)
- Table tents (optional)

PRESENTATION

Introduction

5 minutes

Greet the students and briefly review the important ideas from the previous activity by asking them to explain or describe:

- how *division of labor* can help improve productivity,
- why businesses want to improve productivity and quality, and
- the responsibilities of all employees for productivity and quality.

15 minutes

Activity—The Cap Market

Explain that Pat, of Pat's Party Hats, has decided to sell athletic caps, jackets, and jerseys too. She also plans to customize caps for local teams, businesses, clubs, and other organizations. She buys the caps she needs from **wholesalers** in a special market.

Wholesaler—a business that sells large quantities of goods to other businesses.

Tell the students that they are going to participate in a wholesale cap market to learn how the prices of many goods people buy are determined.

Divide the class into two groups. Choose a recorder for each group.

- **Cap wholesalers.** Businesses that sell caps in large quantities.
- **Cap retailers.** Businesses that sell caps to the general public. Many of these business owners, like Pat, buy caps from wholesalers to customize the caps for their customers.

You may wish to take a few moments to review The Wheel of Enterprise. Pat had an idea for a business; she knows there is a market for her product, and she uses a variety of materials, capital, and human resources to produce it. Now she must sell her jerseys and caps. Setting the right price is one of a business's most important decisions.

Ask all the students to imagine themselves as wholesalers. When they sell caps, do they want to charge as high a price or as low a price as possible?

> It is very important for students to realize that sellers hope to sell as many goods and services at as high a price as they can.

Now, ask all the students to imagine themselves as cap retailers. When they buy caps from wholesalers, do they want to pay as high a price or as low a price as possible for their caps?

> Buyers want to spend as little as possible for a particular item. Sellers want to charge as much as possible.

If there are cards left over, simply put them aside for the first round of trading. Reinsert the leftover cards into the decks for distribution in the second round of trading.

Distribute one Wholesaler card to each wholesaler. (Wholesalers will be **sellers**.)

Distribute one Retailer card to each retailer. (Retailers will be **buyers**.)

Display the Sales Chart transparency, and review the instructions on the cards. Explain that students will have five minutes to buy or sell a box of caps using the following guidelines.

- Each wholesaler will try to **sell** one box of caps to a retailer for the price on the card; e.g., **$100 or more**.
- Each retailer will try to **buy** one box of caps from a wholesaler for the price on the card or **less**.
- All students, wholesalers and retailers, will meet in the *trading area* to negotiate their trades. Prices should be in $25 increments—$25, $50, ...$175, $200.
- When a wholesaler and retailer reach an agreement on a price, they will walk together to the recorder (consultant, teacher, or designated student) and report the price on which they have agreed. The recorder will place marks on the Sales Chart transparency on either side of the agreed price, one in the buyers' exchanges column and one in the sellers' exchanges column.

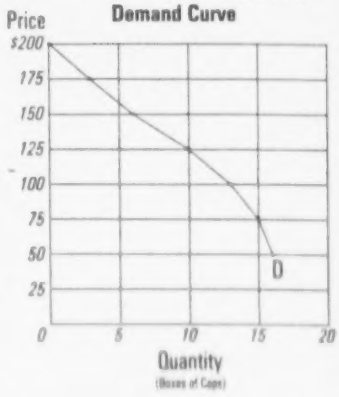
Depending on the actual exchanges, some students may not be able to negotiate a deal. This is true in real markets as well. Sometimes sellers ask more than buyers are willing to pay. Students who are unable or unwilling to make an exchange should turn in their cards to the recorder when time is called.

▲ The students turn in their cards to the recorder and return to their seats.

Remember, if you run the activity twice, your totals will be double those shown here.

Begin the activity. After five minutes, call time. If time allows, reshuffle the cards and repeat the activity. This will produce smoother supply and demand curves.

10 minutes



Discussion–Demand

Explain that buyers who are willing to pay $200 for a box of caps also are willing to pay less; e.g., $175, $150 for a box.

Buyers Will Purchase — Price

Cumulative Quantity	Exchanges	
1	I	$200
1 + 2 = 3	II	175
3 + 3 = 6	III	150
6 + 4 = 10	IIII	125
10 + 3 = 13	III	100
13 + 2 = 15	II	75
15 + 1 = 16	I	50
		25

Add ▼

Ask the students to help you calculate the **cumulative** number of caps retailers were willing to buy at each price. **Add from the top down** and your results should be similar to these.

Explain that the chart you have just completed is called a *demand schedule*, and the information in a demand schedule can be graphed to create a *demand curve*.

Demand–the willingness and ability to buy a product or service at a particular price.

Use the cumulative quantity demanded at each price to plot the demand curve on the grid below the Sales Chart on the transparency or on the chalkboard. (Students may plot their own curve on the grid on page 14 of *Enterprise in Action*.) The graph illustrates demand for caps at each price. Demand is the willingness and ability of buyers to buy a product at different prices.

Emphasize that desire to have a car or sound system is not demand. You must have the ability to make a purchase to have demand.

▲ Ask the students if they see a pattern or a relationship between the price and the number of caps buyers will buy.

▲ Does this pattern apply to other products the students buy?

Students should realize that they buy more of almost anything at low prices than at high. Explain that this is the law of demand–consumers buy more at low prices than at high prices.

10 minutes

Discussion–Supply

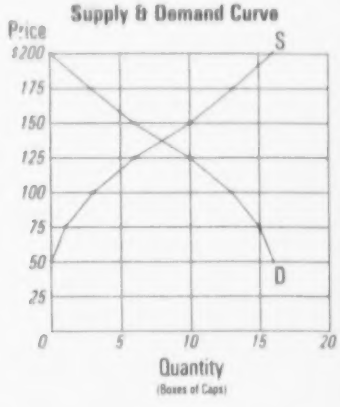
Explain that sellers who are willing to sell a box of caps for $50 also are willing to accept more; e.g., $75, $100 for a box.

Ask the students to help you calculate the **cumulative** number of caps wholesalers were willing to sell at each price. **Add from the bottom up**. Your results should be similar to these.

Price — Sellers Will Offer

	Exchanges	Cumulative Quantity
$200	I	15 + 1 = 16
175	II	13 + 2 = 15
150	III	10 + 3 = 13
125	IIII	6 + 4 = 10
100	III	3 + 3 = 6
75	II	1 + 2 = 3
50	I	1
25		

Add ▲



Explain that the chart you have just completed is called a *supply schedule*, and the information in a supply schedule can be graphed to create a *supply curve*.

Use the cumulative quantity supplied at each price to plot the supply curve on the same grid you used to plot demand. The new curve illustrates the **supply** of caps at each price. Supply is the quantity of goods or services producers will offer for sale at different prices.

Market clearing price—the price at which the quantity of goods and services produced equals the quantity consumers will buy.

- Ask the students if they see a pattern or a relationship between the price and the number of caps sellers will sell.

  Students should realize that more sellers will enter a market if prices are high. This implies the *law of supply—producers offer more for sale at high prices than at low prices.*

In advanced classes, use the supply and demand curves to illustrate what happens when sellers offer goods above or below the market clearing price. When goods are priced too high, a surplus appears. When priced too low, a shortage develops.

Producers hope to sell at high prices, but consumers are shopping for low prices. As they compete and interact in a market with buyers and other sellers, a **market clearing price** will be established.

What is the market clearing price in the wholesale cap market?

The point at which supply equals demand. In this case it should be approximately $125, but results may vary depending on the number of students in the class and the actual deals they made.

5 minutes

Summary and Review

Review the main ideas in the activity by asking the students to explain or describe:

- the principal goal of sellers

  To sell as many goods or services as possible at the highest price possible. This implies the law of supply—producers offer more for sale at high prices than at low prices.

- the principal goal of buyers

  To buy the goods or services they want at the lowest price possible. This implies the law of demand—consumers buy more at low prices than at high prices.

As buyers and sellers interact in a market, a market clearing price develops. This is the price at which buyers will purchase the same quantity of goods or services producers are willing to offer for sale.

Life Skills—Problems in Supply and Demand

Caps—The computer simulation, *Caps*, provides an opportunity to plot a demand curve for custom caps. Students also can observe the impact of marketing on demand and see how a demand curve can shift.

The reading on pages 12-13 of *Enterprise in Action* also explains the law of demand and introduces the law of supply. The exercise on page 15 asks students to apply the laws to everyday situations. The first set of questions focuses on price and *quantity* demanded. The second set of questions involves price and *quantity* supplied. The final set of items introduces *changes* or *shifts* in demand and supply. As tastes and lifestyles change, as new technologies are introduced, and even as seasons change, the demand and supply curves can shift. The students need not plot or analyze shifting demand and supply curves, but they can understand that demand and supply can and do change. The answers to Problems in Supply and Demand follow the Presentation Outline.

PRESENTATION OUTLINE–A CAPital MARKET

I. Introduction

A. Review

1. Division of labor can improve productivity.
2. Businesses want to improve productivity and quality.
3. All employees are responsible for productivity and quality.

B. The Cap Market

1. Wholesalers sell large quantities of products to retailers.
2. Prices are determined in markets.

II. Activity–The Cap Market

A. Divide the class into wholesalers and retailers. Discuss their goals.
B. Distribute Retailer (buyer) cards and Wholesaler (seller) cards.
C. Conduct the trading activity and record the number of transactions at each price.

III. Discussion–Demand

A. Calculate the cumulative quantity demanded at each price.
B. Develop a demand schedule and plot a demand curve.
C. Introduce the law of demand–*consumers buy more at low prices than at high prices.*

IV. Discussion–Supply

A. Calculate the cumulative quantity supplied at each price.
B. Develop a supply schedule and plot a supply curve.
C. Introduce the law of supply–*producers offer more for sale at high prices than at low prices.*
D. Introduce "market clearing price"–*the price at which the quantity produced equals the quantity consumers will buy. The point where supply equals demand.*

V. Summary and Review

A. Goals of sellers–the law of supply
B. Goals of buyers–the law of demand
C. Market clearing price

VI. Life Skills–Problems in Supply and Demand

A. Caps
B. Supply and Demand, *Enterprise in Action*, pages 12-14
C. Problems in Supply and Demand, *Enterprise in Action*, page 15

Answers to Problems in Supply and Demand, *Enterprise in Action*, page 15.

Price and Quantity Demanded

1. The price of oranges increases and the quantity demanded declines.
2. The price of tapes falls; the quantity demanded increases.
3. The price of chicken increases; consumers turn to substitutes and buy more hamburger.

Price and Quantity Supplied

1. The number of typewriter repair shops decreases, but the price of service is likely to increase.
2. The number of electric cars produced will increase.
3. As chicken prices increase, farmers will raise more chickens.

Supply, Demand, and Price

1. The supply and price of swimsuits will increase.
2. The supply, demand, and price of wrapping paper decreases.
3. The price and supply of shoes will fall.
4. The demand and price will increase.
5. The quantity of bacon demanded will increase.
6. The price of cotton will increase as will the demand for polyester.
7. The demand for arcades will decline as home video games become cheaper.
8. In tough times demand for restaurant meals declines.

FROM PRODUCER TO CONSUMER

OVERVIEW

The students learn about the importance of marketing in business operations, and they develop a marketing plan for a T-shirt business.

OBJECTIVES

The students will:

- define marketing as all the activities necessary for a business to get its good or service to its customers and
- develop a marketing plan for a sole proprietorship.

PREPARATION

Review The Wheel of Enterprise on page 5 of *Enterprise in Action*.

Be able to describe your company's marketing operations. Consider inviting a marketing specialist, possibly from your company, to discuss the role of marketing with the students.

Decide if you want students to develop advertisements to accompany their marketing plan. If so, you may need to gather the necessary supplies. Determine if the school can provide markers, paper, etc.

Review Life Skills–Advertising. Depending on the interests of your students, you may wish to devote more time to studying different advertising strategies.

MATERIALS

- *Enterprise in Action*
- Table tents (optional)
- Pens or pencils (not in kit)
- Paper, markers, etc. for student advertisements (optional)

PRESENTATION

10 minutes

You may wish to use The Wheel of Enterprise to review key business concepts and prepare the students for this activity.

Introduction

Greet the students and briefly remind them that they have been learning how businesses operate in the United States.

Remind them that:
- businesses start with an **idea**,
- they identify a **market**, and
- they acquire the **capital**, **materials**, and **human resources** needed to produce a product.

The next step is **marketing**.

- Businesses provide most of the goods and services we use.
- In the United States, competition among businesses results in the best products at the best prices.
- Many businesses are started by entrepreneurs who bring capital, materials, and human resources together to produce goods or services customers want.
- Business managers set the price and design the most efficient methods for producing high-quality products.

Explain that producing a high-quality product for a fair price, however, does not always guarantee success.

Discussion

10 minutes

Most businesses spend much time and money to tell customers–their market–about their goods or services.

Explain that the process of moving a product from production to a customer's hands is called **marketing**. Marketing is a very important part of a business's operation.

Marketing–All the activities necessary to move a product from production to a customer.

Ask the students the following questions about Teresa's T-shirt business:

- Once produced, but before they are sold, what happens to Teresa's T-shirts?

  They are stored. Teresa will need a small warehouse where she can store her T-shirts and sort them by size and design.

If your company uses just-in-time (JIT) inventory management techniques, you could discuss how Teresa could reduce or eliminate her storage costs.

- How do the T-shirts get to retailers in town?

  Teresa must *sell* the T-shirts to shop owners, then *ship* or *deliver* them to her customers.

- How can Teresa let potential customers know about her T-shirts?

  She can develop and distribute a *catalog*, place *advertisements* in the newspaper, design an attractive *sales display*, give *samples* to retailers, or create *special coupons* or *bonuses* for buying her T-shirts. These are called *promotions*.

As key marketing functions are discussed, list them on the chalkboard; e.g., storing, selling, shipping, promoting, and advertising.

All of these tasks–storing and managing inventories, selling, and creating ads and other promotional materials–are important aspects of marketing. They take time and financial resources.

As you discuss the marketing process, point out the types of jobs marketing involves–advertising, sales, wholesale distribution, graphic design, inventory management, etc.

Activity–T-shirts for Sale

20 minutes

Since marketing costs her money, Teresa wants some advice. How should she market her T-shirts?

There are no right or wrong answers to the worksheet questions. As you discuss strategies, help the students understand that marketing decisions can have a significant impact on the success of a business.

Divide the class into groups of three or four students each.

Ask each group to turn to page 18 in *Enterprise in Action* and answer the questions to develop a marketing plan for Teresa. (If you want students to develop actual advertisements, the activity may be extended into the next session.)

Have each group present its plan. If time is short have the groups pair up and share their plans with one another.

Summary and Review

5 minutes

Ask the students to define marketing. Emphasize the fact that marketing involves all the activities from production to the final sale–much more than selling and advertising. Ask the students to list examples of marketing functions.

If you have not described your own company's marketing activities, use the review to do so.

Life Skills–Advertising

A limited number of ads are on pages 16-17 of *Enterprise in Action*. You may use them or, better yet, obtain examples of different advertisements from magazines and newspapers. Perhaps you could ask the teacher to have the students bring examples. You also may wish to make a videotape of assorted TV advertisements. As you analyze the advertisements, ask the following questions for each of the ads.

Who is the audience? *Audiences can usually be defined by age, gender, type of community, or area of interest.*

What is the message? *Some ads provide information, others appeal to emotions, and others help you remember a product name.*

Why would a company spend money to design and print the advertisements in the newspaper or magazine or produce a television commercial? *In general, to get customers' attention.*

After studying assorted ads, discuss the kinds of training, knowledge, and skills required to produce them. Many artistic students are not aware of the opportunities for careers in marketing and public relations/public affairs that require skill in writing, art, music, and video production.

PRESENTATION OUTLINE–From Producer to Consumer

I. Introduction

A. Businesses provide goods and services; competition produces the best products and prices.

B. Entrepreneurs bring capital, and material, and human resources together to produce goods and services.

C. Managers/owners set prices and design efficient production methods.

II. Discussion

A. Marketing–All the activities necessary to move a product from production to a customer.

B. Using Teresa's Ts, discuss strategies for storing, distributing, and promoting her T-shirts.

III. Activity–T-shirts for Sale

A. Divide the class into groups of three or four, and ask the students to use the worksheet on page 18 of *Enterprise in Action* to develop a marketing plan for Teresa.

B. Have students present their plans and advertisements.

IV. Summary and Review

A. Define marketing and list examples of marketing activities.

B. Describe the role of advertising and identify different advertising strategies; e.g., slogans, appeals to reason, and appeals to emotion.

V. Life Skills–Advertising

A. Study selected advertisements.

1. Who is the audience?
2. What is the message?
3. Why would a company design and print or broadcast the ad?

B. Discuss careers in advertising.

KEEPING THE COMPETITIVE EDGE

OVERVIEW

The students act as management consultants to help a struggling Burger Bonanza franchise improve its operation and financial bottom line. The class is divided into teams which are given problems related to the training and attitude of the employees and managers. They use brainstorming techniques to develop solutions to Burger Bonanza's problems.

OBJECTIVES

The students will:

- use brainstorming techniques to suggest solutions to management problems; and
- describe the importance of a well-trained, educated workforce to productivity and quality in U.S. businesses.

PREPARATION

Review the Keeping the Competitive Edge problems on page 19 of *Enterprise in Action* and consider your own solutions.

Be able to describe some of your company's personnel policies and programs for training new employees. If possible, obtain a training video used by your firm or a company that hires teens.

MATERIALS

- Scratch paper (not in kit)
- *Enterprise in Action*
- Table tents (optional)
- Pens or pencils (not in kit)

PRESENTATION

Introduction

10 minutes

Greet the students and briefly remind them that they have been learning how businesses operate in the United States.

- Businesses compete to provide consumers the goods and services they use.
- Competition forces businesses to pay attention to productivity and product quality.
- Marketing is the activities necessary to move products from production to customers, including managing inventories, shipping, sales, and advertising.

Tell the class about a recent unfortunate experience you had in a fast food restaurant. Use an actual experience or make one up that is similar to the story below.

> "I was in a hurry and ran into the Burger Bonanza near my office for a late lunch. When I stepped up to the counter, no one was around to take my order. I heard voices in the back. The employees

were arguing loudly about whose turn it was to mop the floor. After a few minutes, one of them noticed me and came to the front to take my order—a hamburger with lettuce, tomato, and mayonnaise; a large order of fries; and a small drink.

After I placed my order, the employee went back to arguing about mopping the floor. I finally got my order—a hamburger with lettuce, tomato, and mustard (I hate mustard); a small order of fries; and a large drink. When I complained, the clerk said, 'Hey, at Burger Bonanza you get what you pay for!'"

If possible, this would be a good place to show a segment of an actual job-training video from your company.

Ask the students to list the things that went wrong at Burger Bonanza. Write their responses on the chalkboard.

Ask why it is important for employees to cooperate, treat customers courteously, provide the goods and services customers expect, etc.

Be sure that the students understand that employee skills, attitudes, and performance can affect a business's ability to attract and keep customers and make a profit.

15 minutes

Activity—Brainstorming

Distribute *Enterprise in Action* and scratch paper. Ask the students to turn to Keeping the Competitive Edge on page 19. Explain that the business problems it presents are similar to those you had on your visit to Burger Bonanza.

Brainstorming is a popular technique because it is easy to use, results in creative thinking, and involves many people in decision making.

Explain that finding solutions to these types of problems requires imaginative thinking. Business consultants often use a problem-solving strategy called *brainstorming* to identify possible solutions to problems.

Describe the process and list the following steps on the chalkboard for using brainstorming techniques.

As time allows, you may find it helpful to demonstrate brainstorming with one of the problems before asking students to use the technique on their own.

- Identify the problem
- Brainstorm solutions
  - Encourage everyone to suggest solutions
  - Accept all solutions
  - Do not discuss or evaluate the suggestions
- Evaluate
  - Combine similar solutions
  - Discuss the advantages and disadvantages of each solution
  - Rank the solutions and select the "best" one

You may wish to give each group two or three problems to help stimulate discussion later in the activity.

Explain that possible solutions need to be tested and re-evaluated.

Divide the class into groups of four or five students and assign each group a problem to discuss. Appoint a recorder/reporter in each group.

Tell them that they have 10 minutes to brainstorm and suggest a solution.

Discussion

15 minutes

After 10 minutes, reconvene the class and ask each reporter/recorder, in turn, to describe his or her group's problem and the recommended solution. Help the students explain how their solution will improve productivity, reduce costs, or increase sales.

As the discussion proceeds, emphasize the following ideas, as appropriate.

- Employers expect employees to have certain basic skills and attributes:
  - Communication skills—reading, writing, speaking, and listening;
  - Computation skills;
  - Thinking skills—the ability to make decisions, think creatively, learn, and solve problems; and
  - Personal qualities—honesty, politeness, teamwork, and personal responsibility.
- Employers can improve productivity and product quality by setting clear expectations and providing needed training.
- Well-trained employees with positive attitudes can help a business be more successful.

Summary and Review

5 minutes

Review the steps in solving a problem using brainstorming and ask the students to identify one or two benefits of brainstorming techniques.

- Involves many people
- Allows for creative problem solving

Ask the students to explain how a well-trained, educated workforce can contribute to productivity and quality.

Life Skills—You're the Manager

Have the students determine when brainstorming is an appropriate technique. Brainstorming is an ideal way to get everyone on a team and to take ownership in the final decision. However, brainstorming takes time, and time for lengthy decisions is not always available. Pretend you are the sales manager for a company. Decide if brainstorming is appropriate in the following situations.

- Product sales are slow. You have decided that a new advertising campaign is needed.
- Your inventory levels are fine, but the production manager found out that your chief supplier is raising prices 20 percent on Monday. It's now 4 p.m. on Friday.
- Your sales fliers are rolling off the presses at a rate of 1,500 per minute. A quality-control expert has just told you that the pink fruit drink in your advertisement is printing orange.
- Your boss has just told you that your sales team has 48 hours to close on a critical account or "heads will roll."

Ask the students to identify problems they encounter often and to brainstorm solutions.

PRESENTATION OUTLINE—Keeping the Competitive Edge

I. Introduction

A. Review

Businesses compete.
Productivity and product quality are important to business success.
Marketing involves moving products from production to customers.

B. Describe a situation involving poor service at a fast food restaurant.

C. Ask students to explain why poor service is a problem for the business as well as the customer.

II. Activity–Brainstorming

A. Describe brainstorming and list the following steps on the chalkboard for using brainstorming techniques.

Identify the problem
Brainstorm
- Encourage everyone to suggest solutions
- Accept all solutions
- Do not discuss or evaluate the suggestions

Evaluate
- Combine similar solutions
- Discuss the advantages and disadvantages of each solution
- Rank the solutions and select the "best" one

B. Distribute *Enterprise in Action*, and assign Keeping the Competitive Edge (page 19).

C. Ask the students to brainstorm to develop solutions to the problems.

III. Discussion

A. Have groups report solutions. Focus on the following ideas:

1. Employers expect employees to have certain basic skills and attributes.
2. Employers can improve productivity and product quality by setting clear expectations and providing needed training.
3. Well-trained employees with positive attitudes can help a business be more successful.

IV. Summary and Review

A. Discuss the benefits of brainstorming.

B. A well-trained, educated workforce can contribute to productivity and quality.

V. Life Skills–You're the Manager

A. Students apply the brainstorming techniques they have learned to hypothetical and real situations.

BUSINESS AND YOUR COMMUNITY

OVERVIEW

Through a role-playing exercise, the students learn how the money they spend in local businesses is used to pay wages, rent, interest, and other expenses. They learn that one person's expense is another's income and discover the circular flow of money, goods, services, and labor through the community.

OBJECTIVES

The students will:

- describe the circular flow of money, goods, services, and labor between businesses and households; and
- explain why businesses and households in a community are interdependent.

PREPARATION

Use the master in Ongoing Activities to duplicate approximately fifty **$1** bills and 20 hamburger cards.

Review the lesson plan with the teacher and ask for his or her assistance in coordinating the various transactions.

Identify local examples of recent economic events that can be used to depict the circular flow concept. Be sure the teacher has access to an overhead projector.

MATERIALS

- Circular Flow A transparency and marker
- *Enterprise in Action*
- Table tents (optional)
- Enterprise in Action money (Materials Envelope)
- Hamburger cards (Materials Envelope)
- Overhead projector (not in kit)

PRESENTATION

Introduction

5 minutes

Greet the students and briefly remind them that they have been learning how businesses operate in the United States.

- Businesses compete to provide consumers goods and services.
- Competition forces businesses to focus on productivity and product quality.

Today the class will begin to study the roles businesses play in a community.

Discussion

5 minutes

Explain that one of the first things children learn about life outside the family is that they can give store clerks money and in return the clerks will give them toys, candy, clothes, or food!

Interestingly, few children ever learn what happens to the money after it goes into the cash register. Today, you are going to follow the trail of money through the community and learn why it is important.

20 minutes

Activity–Circular Flow

Divide the class into two groups–**business owners** (about one-third of the students) and **householders** (about two-thirds of the students).

The term "householder" is used by economists to describe consumers living in traditional and nontraditional family units. It applies to people who rent apartments or own their homes. It also applies to people who live alone, with a roommate, or with a relative.

Divide the householders into four or five "families" and give each family member $2 in Enterprise in Action money.

Call two business owners to the front of the room and explain that they own hamburger restaurants. Divide the hamburger cards between them.

▲ Have two families at a time come to the front of the room and purchase a hamburger for each family member at $2 each. All the money should flow from the families to the restaurant owners.

List on the chalkboard other common transactions between households and businesses–purchases of groceries, clothing, CDs, telephone service, cable TV, plumbing, etc. Be sure to list consumer products or services your firm sells.

Emphasize that consumers (householders) use money to buy the goods and services they want from a variety of community businesses.

Have the remaining eight business owners identify goods and services the restaurants must purchase to make and sell burgers. List their responses on the chalkboard and assign each business owner a role from the list. Possible responses follow.

In a class of 30, the two restaurant owners now have $20 each. They each should transfer $16 to suppliers.

meat suppliers	bakers	produce vendors
advertising agents	grill manufacturers	landlords
delivery services	soft drink distributors	dairies
utility companies	trash collectors	insurance agents

▲ Have both hamburger business owners give $2 to each of the other business owners. Explain that much of the money any business receives from its customers flows directly into the hands of other businesses to pay for the supplies and equipment it needs.

Orchestrate this process so that each family member receives wages. The amounts are symbolic and are designed to illustrate the flow of money, goods, services, and labor among the members of a community.

Point out that one major expense has not been discussed–wages and salaries for workers and managers.

Call on the hamburger restaurant owners to pay wages to their "cooks," "waiters," etc. by giving $1 to three or four householders.

You need not discuss "distribution of wealth" or "wage determination" at this time.

▲ Have other businesses repeat the process. The produce vendor pays $1 to a delivery truck driver, the landlord pays an accountant $1, the insurance company pays a secretary $1, etc. until most of the money is back in the hands of the families.

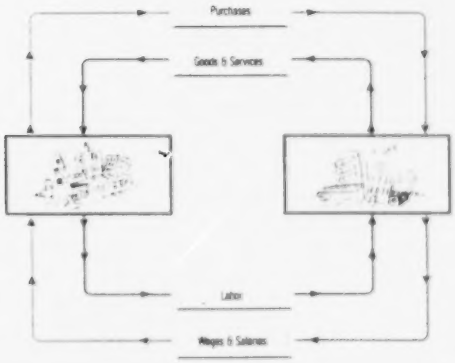
Summary and Review

15 minutes

Distribute *Enterprise in Action* and ask the students to follow along and complete the diagram on page 20 as you use The Circular Flow A transparency to summarize what has happened.

- Householders (consumers) use their money to buy goods and services.
  - Money flows from households to businesses.
  - Goods and services flow from businesses to households.
- Businesses use the money to purchase materials, equipment, buildings, and labor.
  - Labor flows from households to businesses in return.
  - Money (wages and salaries) flows back to households.
- The people and businesses in a community depend on one another for the goods and services they both need. They are interdependent.

The Circular Flow of Money, Goods, and Services **A**



Life Skills—You're the Economist

Use the Brainstrainer on page 20 of *Enterprise in Action* to use the circular flow of money, goods, services, and labor to illustrate the concept of interdependence in a community. Questions and possible answers follow below.

- Why is it big news when a new company comes to town?

  More jobs put more money in the hands of households, which spend it in local businesses. These businesses can sell more, then hire more workers, which gives households more money.

- Why is it big news when a large business closes?

  Households lose money and have less to spend with local businesses, which might then need to lay off workers.

- Why is it just as important for the community as a whole to have skilled, well-educated workers as it is for specific businesses to have skilled employees?

  In general, the availability of a skilled workforce attracts businesses to a community.

PRESENTATION OUTLINE—Business and Your Community

I. Introduction

A. Businesses compete.

B. Competition forces businesses to pay attention to productivity and product quality.

II. Discussion

A. What do stores do with the money consumers spend?

B. Where does the money go?

III. Activity–Circular Flow

A. Divide the class into groups of *householders* and *business owners*.

1. Give each householder $2.
2. Select two *hamburger restaurant owners* from the business group and give them *hamburger cards*.
3. Direct householders to purchase hamburgers.

B. Discuss the flow of money from households to businesses in return for goods and services.

C. Identify goods and services businesses purchase.

1. Assign roles to the remaining *business owners*.
2. Direct the hamburger restaurant owners to purchase the goods or services they need.

D. Have the *business owners* pay wages and salaries to *householders*.

IV. Summary and Review

A. Use The Circular Flow A transparency to recap the flow of money, goods, services, and labor between households and businesses.

B. Households pay money for goods and services. Money returns to households as wages and salaries for labor.

V. Life Skills–You're the Economist

A. Why is it big news when a new company comes to town?

B. Why is it big news when a large business closes?

C. Why is it important for a community to have skilled, well-educated workers?

BUSINESS AND SOCIAL RESPONSIBILITY

OVERVIEW

The students explore the importance of ethical behavior in their own lives and consider a business's responsibility to its employees, customers, stockholders, and the community. They discuss the extent and limits of those responsibilities by acting as members of a corporate board of directors facing a variety of business and ethical dilemmas.

OBJECTIVES

The students will:

list examples of ethical business decisions that impact the community;

describe the basic responsibilities a business has to its employees, customers, stockholders, and the local community; and

use brainstorming techniques to suggest solutions to management problems.

PREPARATION

Review the Business and Social Responsibility problems on page 21 of *Enterprise in Action*. Consider your own solutions.

Be able to describe some of the policies and programs of your company that reflect concern and respect for employees, customers, and the quality of life in your community. If your company has a mission statement or code of ethics, be prepared to use either in the discussion. Junior Achievement's Values Statement is on the inside back cover of this guide. You may find it helpful in the discussion.

MATERIALS

- *Enterprise in Action*
- Table tents (optional)

PRESENTATION

Introduction

10 minutes

Greet the students and explain that you have been focusing on business operations for most of your time with the class, but today you want to start by discussing some everyday issues.

Ask the class to discuss a few of the following situations.

You may make up scenarios that are more relevant to your community or students.

You've just finished lunch and want to get rid of a paper sack, soft drink cup, and other food wrappers. There is no trash can in sight. No one would see you toss the trash in the street. What do you do?

Your friend, who works at the local Burger Bonanza, will give you a free soft drink any time you ask, although it is against company rules. Should you ask for a free drink?

- You sit behind the smartest student in your math class. "Checking" your test answers would be pretty easy. What do you do?

However students respond to these scenarios, their answers will be based on personal standards and their sense of responsibility to themselves, to others, and to the community.

- A friend seems to be getting involved with drugs and alcohol. Do you have a responsibility to help him or her?
- You saw a group of your classmates painting graffiti on your school. You know who is responsible. Do you tell the principal?
- You made a commitment to baby-sit for your neighbor at 6:30 tonight. At 6:15 your best friend calls to say he or she has tickets to a great concert. What do you do?

Ask the students to list some of the standards they used to answer these questions. List their responses on the chalkboard. For example:

Be prepared to discuss student choices that may not reflect the highest ethical standards.

Obeying rules, laws, etc.	Respecting others
Being honest	Honoring commitments
Treating others fairly	Having compassion
Looking out for my own interests	Keeping secrets

10 minutes

Discussion

Point out that business owners and managers often are faced with the same kinds of decisions. Businesses have a responsibility to their owners or stockholders to be profitable. But businesses, like individuals, also are responsible for the effects of their decisions on employees, customers, and the community.

Help the students understand basic business responsibilities by asking the following questions:

- What are some of a business's responsibilities to its employees?

  Provide a safe workplace, pay wages and salaries, and honor contractual agreements.

During the discussion, you may wish to refer to your company's code of ethics, mission statement, or other document that outlines its basic beliefs. Explain that your visits to the class represent a contribution to the community by your company.

- What are some of a business's responsibilities to consumers?

  Maintain product quality, ensure consumer safety, and state product claims accurately.

  Also, refer to the high ethical standards on the chalkboard and point out that businesses are expected to follow similar guidelines.

- What are some of a business's responsibilities to its community?

  Preserve the environment and contribute to the well-being of the community.

20 minutes

Activity—Tough Choices

Distribute *Enterprise in Action* and ask the students to turn to page 21, Business and Social Responsibility.

Divide the class into groups of four or five students and explain that each group will serve as a board of directors facing a difficult business decision.

Tell each group to choose one member to take notes and be its spokesperson.

Assign one of the business problems to each group. Suggest that the groups use brainstorming techniques to reach a decision. (See margin note.)

Identify the problem and brainstorm solutions
- –Encourage everyone to suggest solutions
- –Accept all suggestions
- –Do not discuss or evaluate the suggestions

Evaluate
- –Combine similar solutions
- –Discuss the advantages and disadvantages of each solution
- –Rank the solutions and select the "best" one

After 10 minutes, reconvene the class and ask each spokesperson, in turn, to describe his or her group's problem and recommended solution.

- Help the students relate their answers to the standards they set for themselves earlier in the activity.
- Ask the students to explain how their solutions affect stockholders, employees, customers, and the community.
- Is it "fair" to expect one group to make sacrifices that benefit others? Why or why not?

Summary and Review

5 minutes

Point out that problems faced in business frequently do not lend themselves to simple solutions.

Explain that while most people agree that a business–like a citizen–has social responsibilities, the extent and limits of those responsibilities are open to much debate, especially when decisions involve conflicting responsibilities.

Life Skills–Developing a Code of Ethics

Divide the class into groups of three or four students. Ask each group to list, in its own words, three key standards for behavior all students should follow. Have the groups share their lists and develop a code for ethics for the class using the standards that are listed most frequently.

Apply the standards to events beyond school–relationships with friends, local government, business, etc. Students should learn that ethical behavior is important in all areas of life.

PRESENTATION OUTLINE—Business and Social Responsibility

I. Introduction

A. Discuss ethical decisions students often face.

B. Identify and list standards that guide student behavior.

II. Discussion

A. What are a business's responsibilities to its employees?

B. What are a business's responsibilities to its customers?

C. What are a business's responsibilities to its community?

III. Activity–Tough Choices

A. Distribute *Enterprise in Action* and divide the class into groups of four or five.

B. Assign a problem from Business and Social Responsibility (page 21) to each group to discuss. (Suggest students use brainstorming techniques.)

C. Have groups report solutions. Focus on the following ideas:

1. Business standards are related to personal standards.
2. Decisions can impact several groups—stockholders, employees, customers, and community members.
3. Sometimes one group makes sacrifices that benefit others.

IV. Summary and Review

A. Problems faced in business frequently do not lend themselves to simple solutions.

B. A business–like a citizen–has social responsibilities that are open to much debate, especially when decisions involve conflicting responsibilities.

V. Life Skills–Developing a Code of Ethics

A. In small groups, then as a class, develop a list of behavior standards for students.

B. Discuss how these standards could apply to government, business, and relationships with friends and family.

ISSUES AT EIGENTOWN

OVERVIEW

The students learn about the economic role government traditionally plays in local communities. They learn how the taxes individuals and businesses pay in return for government-provided goods and services relate to the circular flow of money, goods, services, and labor through the community. In addition, they act as members of a city council and recommend solutions to problems facing the community.

OBJECTIVES

The students will:

- identify examples of economic goods and services that governments often provide,
- use a *circular flow* diagram to explain the role of government in the economy, and
- state an opinion about the appropriate economic role of government.

PREPARATION

Review The Circular Flow–One More Time Around! on page 22 of *Enterprise in Action*. Be sure you can fill in the appropriate blanks. See the next page for an answer key. Be sure the teacher has access to an overhead projector.

Review the Issues at Eigentown problems on page 23 of *Enterprise in Action* and consider your own solutions. Be able to compare the issues facing Eigentown with current economic problems in your community.

MATERIALS

- *Enterprise in Action*
- The Circular Flow B transparency and marker
- Table tents (optional)
- Overhead projector (not in kit)

PRESENTATION

Introduction

10 minutes

Greet the students and remind them that you have been emphasizing the importance of business in their lives. Then explain that on your way to class today, you realized that you had not discussed an important aspect of our economy. Ask the students to listen to the following story and identify the examples of goods and services provided by a government.

Modify the story to fit your community.

> My alarm went off at 6:30 a.m. Daylight Savings Time (or Standard Time), and I rolled out of bed. I took a shower, got dressed, had some breakfast, put out the trash, and got in my car to go to work. Along the way I saw our local police giving someone a ticket, and a street-repair crew fixing potholes. I also passed a fire station. As I neared my office, I noticed a sign advertising a concert I'd like to go to at the civic auditorium next month.

Examples could include many of the following plus others.

- Daylight Savings Time, Standard Time, time zones, etc. are all established by government action.
- Water often is provided by local governments; they also may monitor its quality.
- Trash often is picked up by city crews and taken to a city-owned landfill.
- Roads and highways are built or maintained by governments.

Government services vary from community to community. Trash is frequently collected by private companies. Utilities such as gas and electricity are owned and operated by governments and by private firms. Residential streets often are built by developers. Adjust your discussion to reflect local services.

- Police and fire protection are provided by local governments.
- Governments often finance auditoriums, parks, stadiums, libraries, orchestras, etc.

Whether or not the students agree that local, state, and national governments should provide all these and other goods and services, it should be clear to them that governments play an important role in our daily lives and in our economy.

10 minutes

Discussion

Distribute *Enterprise in Action* to the students and have them turn to page 22, The Circular Flow–One More Time Around!

Project The Circular Flow B transparency illustrating the place of government goods and services in the economy.

"Household" is a convenient term used to describe typical consumers. It includes people living in apartments and various other forms of housing.

Briefly review the flow of money from households to businesses in return for goods and services. Note the flow of wages and salaries in return for labor.

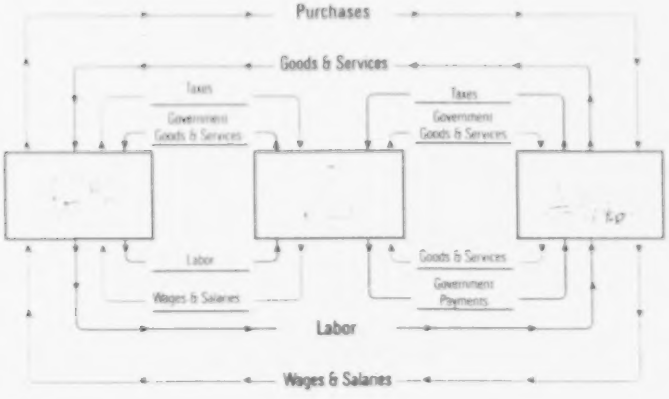
Ask the students to list government goods and services businesses and households use.

Roads and highways, airports and harbors, water and sewer systems, parks, libraries, police and fire protection, etc.

Ask the students to follow along and fill in the blanks in their circular flow diagrams as you complete the transparency.

Write *Government Goods and Services* in the appropriate blanks on the transparency.

The Circular Flow of Money, Goods, and Services B



Explain that governments hire police, road maintenance crews, secretaries, engineers, and people in just about every occupation imaginable to provide the goods and services the people want. Write *Labor* in the appropriate blank. The government pays its employees for their work. Write *Wages and Salaries* in the appropriate blank.

Governments also use bulldozers, cars, staplers, tons of paper, and thousands of other products they buy from businesses to provide the goods and services people want. Write *Goods and Services* in the appropriate blank. But governments, like everyone else, must pay for the goods and services they use. Write *Government Payments* in the appropriate blank.

Ask the students where governments get the money to pay wages and salaries and purchase goods and services. Write *Taxes* in the appropriate blanks.

Summarize the flows of money, labor, goods and services among households, businesses, and governments. Emphasize that one person's expense is another's income.

Activity–The Role of Government

20 minutes

Explain that government goods and services are an important part of our total economy. Governments have traditionally provided:

- Goods and services that are important to everyone–street lights, police and fire protection, national defense, and roads and highways.
- Goods or services that businesses would not provide because making a profit would be difficult–parks with hiking trails and quiet picnic areas.

In advanced classes assign roles to council members based on the descriptions in the introduction to the Issues at Eigentown problems.

However, many communities debate the specific goods and services governments should provide. Some would like to pay fewer taxes and reduce government services. Others feel that government services make communities better places to live.

Distribute *Enterprise in Action* and ask the students to open it to page 23. Ask them to read about Eigentown and its problems.

Divide the class into groups of five to seven students. Each group will serve as Eigentown's city council. Each council should select a mayor to lead the discussion. After 10 minutes, reconvene the class and discuss the issues facing Eigentown.

Or, you may wish to discuss some issues as a whole class.

Ask each mayor to describe the problem his or her council debated and explain the solution it is recommending. Then discuss the following questions.

- Is snow removal, a symphony, weed control, etc. a legitimate function of government? Why or why not?
- If Eigentown city government did not provide these services, would private businesses? Why or why not?

Summary and Review

5 minutes

Governments in the United States have traditionally provided a variety of goods and services to the people. Consequently, government is an important part of the economy.

- Ordinary citizens and businesses pay taxes, and in return they receive government goods and services such as police and fire protection.

- Governments hire thousands of people and, like businesses, pay them wages and salaries. Businesses also sell their goods and services to governments.

Governments are charged with protecting the general well-being of all citizens. Sometimes this involves providing expensive services paid for with tax dollars. Deciding which goods and services should be financed by taxes often is controversial.

Many citizens have strong opinions about the most appropriate uses of tax money, and it is their right and obligation to let government officials know their feelings.

Life Skills–Government Responsibilities

Have the students bring newspapers and magazines to class. Cut out pictures, headlines, and articles that illustrate government-provided goods and services. Have them make a bulletin board display or collage and discuss whether the goods and services could be provided by private businesses.

PRESENTATION OUTLINE–Issues at Eigentown

I. Introduction
- A. Story about government goods and services in our everyday lives
- B. Additional examples of government goods and services

II. Discussion
- A. Circular flow of money, goods, and services between households and businesses
- B. Government goods and services provided to households and businesses
  1. Household and business taxes
  2. Labor service to government in exchange for wages and salaries
  3. Business goods and services provided to government for cash payments

III. Activity–The Role of Government
- A. Distribute *Enterprise in Action* and divide the class into groups of five to seven students.
- B. Assign a problem from Issues at Eigentown, page 23 of *Enterprise in Action* to each group.
- C. Have groups report solutions. Focus on the following questions:
  1. What are legitimate functions of government?
  2. Can private businesses provide goods or services often supplied by governments?

IV. Summary and Review
- A. Governments provide a variety of goods and services and are an important part of the economy.
- B. Individuals and businesses pay taxes for government goods and services.
- C. Governments hire workers and pay wages and salaries. Governments buy goods and services from businesses.

V. Life Skills–Government Responsibilities
- A. Find examples of government involvement in the economy in newspapers and magazines.
- B. Design a collage or bulletin board display.

ECONOMIC INDICATORS

OVERVIEW

The students learn that business activity goes through periods of growth and prosperity and periods of contraction and recession. They examine six key economic indicators to describe the health of the U.S. economy between 1980 and recent years.

OBJECTIVES

The students will:

describe the phases of the business cycle: *peak*, *recession*, *trough*, and *expansion;*

define the following indicators of economic health: gross domestic product, unemployment, the Consumer Price Index, and personal disposable income; and

use graphs of economic statistics to draw conclusions about the health of the economy.

PREPARATION

Review the reading and statistics in Measuring the Economy's Ups and Downs on pages 24-26 of *Enterprise in Action.*

Identify ways your company has reacted to ups and downs in the economy.

MATERIALS

- *Enterprise in Action*
- Table tents (optional)

PRESENTATION

Introduction

5 minutes

Greet the students and remind them that throughout the program you have been emphasizing the importance of business in their lives.

Businesses provide most of the goods and services we use every day.

Businesses are an important part of every community.

Businesses are responsible for treating their employees, customers, and the community as a whole with respect.

Explain that–like individuals–most businesses experience good times and bad. In this activity, the class will learn how business owners and economists describe and measure ups and downs in business activity.

Discussion

15 minutes

Ask the students to identify some of the things a doctor checks or measures to determine if they are healthy.

The students should be able to identify several health indicators; e.g., temperature, blood pressure, weight, and heart rate.

Ask, "How could you decide if a business is healthy?"

> Determine if sales, production, and productivity are growing. Learn if it is making a profit, hiring more workers, or adding stores or factories, etc.

Describe some of the ways your company measures its health.

Consider having the students answer questions like the following:

"How would knowing that the economy is growing help a business plan for the future?"

"If you expected 'tough times,' would you hire more workers or build a new factory?"

Explain that when most businesses are growing, the whole economy is probably growing too. Similarly, when most businesses are struggling, the economy also is probably struggling. Economists, business owners and managers, and government leaders study the economy closely to plan for the future.

Distribute *Enterprise in Action* and ask the students to read Measuring the Economy's Ups and Downs on page 24. Draw a roller coaster on the chalkboard and explain that the ups and downs of a roller coaster ride are similar to the ups and downs in business activity. Ask the students to refer to the reading to help you label the phases of the business cycle. Then check their understanding by asking them to describe business and consumer behavior during each phase.

Describe how your company uses economic indicators to make plans for the future.

In advanced classes the students may be able to predict what will happen to key indicators of production, consumer spending, employment, etc. during each phase of the business cycle without studying the reading.

- **Peak**–People who want jobs can find them. Business profits are high, and consumers have money to spend.
- **Recession**–Sales decline during a recession. Business firms cut back on production. They buy fewer raw materials and equipment, and they lay off workers. People who lose their jobs spend less. In addition, other workers become fearful that they, too, might lose their jobs. Soon, consumers are spending less, and business activity declines even more.
- **Trough**–The trough is the bottom of the business cycle. Business activity is slow, but it doesn't get any worse. Firms stop laying off workers and begin to add to their inventories (i.e., supplies of things they sell).
- **Expansion**–Increasing business activity feeds the recovery. Additional workers are hired. This leads to more consumer spending, more production, and more jobs.

Activity–Economic Indicators

20 minutes

Economists and government officials work very hard to collect information about the health of the economy. Over the years they have found ways to accurately measure economic health.

Consider having a contest. Offer a prize to the first 10 students to complete the exercise correctly.

Direct the students attention to pages 25-26. Divide the class into teams of three or four students and ask each team to discuss the questions to determine where we are in the business cycle today. Allow approximately 10 minutes.

In some classes you may choose to assign one question each to small groups of students or discuss each question as a whole class.

After 10 minutes reconvene the class and discuss each question.

▲ What is the Gross Domestic Product (GDP) and how did it change from 1980 to 1994?

GDP is the value of goods and services produced in a country in a year (in dollars). GDP grew by approximately $4,030 billion. GDP is over twice as large as it was in 1980.

▲ Does the change in GDP mean the economy is growing?

It appears that production of goods and services grew significantly between 1980 and 1994.

▲ What happened to other indicators between 1980 and 1994?

The Consumer Price Index rose 65.8 points.

Retail sales grew by $1,280 billion.

Disposable Personal Income increased $10,387.

Unemployment fluctuated between a high of 7.2 percent in 1985 to a low of 5.5 percent in 1990. In 1994 it was 6.1 percent.

The Industrial Production Index increased almost 28 percent.

▲ Did the economy really grow between 1980 and 1994?

The economy grew steadily and dramatically, but not as much as the changes in GDP, retail sales, and personal income indicate. Some of the growth in these figures was due to inflation—changes in prices and wages, not growth in production of goods and services. Nevertheless, after a period of high inflation in the early '80s, inflation has consistently been under 5 percent per year.

Based on the data, where is the United States in the business cycle?

We are in the midst of a long period of economic growth. Many economists and government leaders are afraid that we may be nearing a peak and about to enter a period of recession.

Has your company grown with the national economy? How about your community?

What decisions in your company or community are based on economic trends?

Summary and Review

5 minutes

Economies naturally go through times of growth and prosperity and times of recession.

▲ Ask the students to recall the phases of the business cycle.

expansion, peak, recession, and trough

Economists use a variety of economic indicators to measure the health of the economy.

▲ Ask the students to list several indicators.

GDP, disposable personal income, CPI, and the unemployment rate

Explain how these indicators help businesses and consumers make decisions about spending their money.

Life Skills–Economic Indicators in the News

Have the students bring newspapers and magazines to class. Cut out articles and headlines that illustrate trends in the state, local, and national economy. Make a bulletin board display or collage.

Discuss how news about the economy affects personal decisions about saving money; e.g., buying a new TV, refrigerator, a pair of athletic shoes or even taking a vacation.

PRESENTATION OUTLINE–Economic Indicators

I. Introduction

A. Businesses provide goods and services we use every day.

B. Businesses are responsible for treating their employees, customers, and the community with respect–they are expected to be good citizens.

II. Discussion

A. What are several indicators of personal health?

B. What are some indicators of the health of an individual business?

C. Economists can measure the health of the economy with various indicators.

1. Read and discuss Measuring the Economy's Ups and Downs in *Enterprise in Action*, page 24.
2. Describe the phases of the business cycle: peak, recession, trough, expansion

III. Activity–Economic Indicators

A. Divide the class into groups of three or four and assign each group questions from *Enterprise in Action* pages 25-26.

1. What is the Gross Domestic Product, and how did it change from 1980 to 1993?
2. Does the change in GDP mean the economy is growing?
3. What happened to other indicators between 1980 and 1993?
4. Did the economy really grow between 1980 and 1993?

B. Determine where we are in the business cycle and relate the data to economic decisions in your company or community.

IV. Summary and Review

A. The economy naturally goes through phases or cycles.

B. Economists use a variety of economic indicators to describe economic conditions. These indicators help consumers and businesses plan for the future.

V. Life Skills–Economic Indicators in the News

A. Find examples of economic indicators in newspapers and magazines.

B. Design a collage or bulletin board display.

C. Develop your own economic indicators.

Junior Achievement®

PURPOSE

To educate and inspire young people to value free enterprise, understand business and economics, and be workforce ready.

To accomplish this we value:

Integrity

We use the highest ethical standards to make decisions that maintain our customers' trust and respect.

Respect for the Individual

We value people for their diverse and unique contributions to our organizational efforts.

Personal Development

We provide and encourage opportunity for our students, volunteers, and staff to grow personally and professionally.

Enterprising Spirit

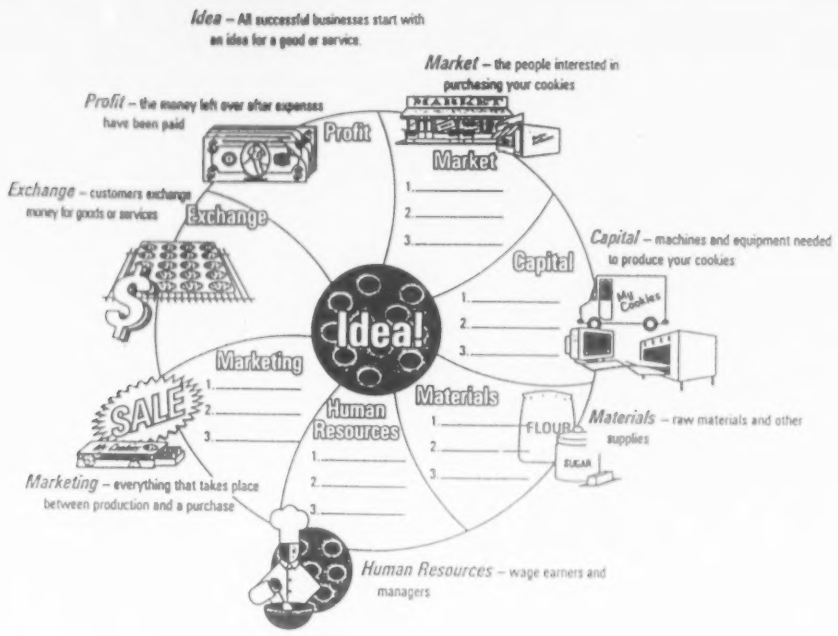
We value energetic and imaginative pursuit of ideas to create, innovate, and improve our products, performance, and services.

Teamwork

We value individual initiative within teams.

Junior Achievement®

MG201 95


Idea – All successful businesses start with an idea for a good or service.
Market – the people interested in purchasing your cookies
Profit – the money left over after expenses have been paid
Profit
Market
Exchange – customers exchange money for goods or services
Exchange
Capital – machines and equipment needed to produce your cookies
Capital
Idea!
Marketing
SALE
Materials
FLOUR
SUGAR
Materials – raw materials and other supplies
Human Resources
Marketing – everything that takes place between production and a purchase
Human Resources – wage earners and managers

Enterprise in Action

Student Materials

Copyright - 1995

Junior Achievement, Inc.
Colorado Springs, Colorado

Junior Achievement

PUTTING IT TOGETHER

OVERVIEW

The students participate in a review game and discuss key concepts from Enterprise in Action.

PREPARATION

Study the review games described in the activity plan below and determine which game you will play. Depending on the one you choose, ask the teacher to be scorekeeper and/or judge.

Study the questions provided and select the ones you intend to use. Consider duplicating and separating the questions so they can be sorted into categories or drawn from a container. Add your own questions so you can be sure to review important concepts or current issues you have emphasized during your presentations.

Also, students can work individually or in small groups to develop review questions. Ask each student to skim *Enterprise in Action* and to write out two or three questions and the correct answers for the review activity. Student-developed questions may need to be revised somewhat as you read them.

Many consultants enjoy providing small prizes or treats for students who answer review items correctly. If you would like to give out candy or similar food items, be sure to check with the teacher first.

Certificates of Achievement are in your kit. Be prepared to distribute them at this final session. Obtain a list of student names so you can fill out the certificates before class. Ask the teacher to check the spelling of the names.

MATERIALS

- *Enterprise in Action* (optional)
- Enterprise in Action certificates
- Table tents
- Review game prizes or treats (optional, not in kit)

PRESENTATION

Introduction

Greet the students and remind them that throughout the program you have been emphasizing the importance of business in their lives.

Explain that today you will review many key ideas and terms they have been learning during Enterprise in Action.

Activity

Use one of the review games suggested here. Before playing any of the games, sort your review questions by level of difficulty. (Each item is coded "H"–hard, "M"–medium, or "E"–easy.) Depending on your experience and your knowledge of the students, adjust the ratings on the prepared questions and rate the questions you or the students develop.

Most of the games suggested use items of varying difficulty levels.

CHANCE OR CHALLENGE

Place questions of different levels of difficulty in separate bowls or other containers.

Divide the class into two teams and flip a coin to determine which team will answer the first question. For purposes of these instructions, Team A will begin; Team B will follow.

© 1995 Junior Achievement Inc., MG212-95

The first student on Team A will be given the "chance" to select the level of difficulty of the question he or she wants to answer. (Hard questions are worth five points; medium questions, three points; and easy questions, two points.) If the student answers correctly, his or her team earns the appropriate number of points. . . but not before the opposing team is given the opportunity to "challenge."

- Any student on the challenging team may challenge the first student's answer.
- If there is no challenge, the first student's team receives the appropriate number of points for a correct answer or no points for an incorrect answer.
- If the first student is correct and the challenger is incorrect, the answering student's team receives its points and the challenging team loses the appropriate number of points (five for a hard question, three for a medium question, and two for an easy question).
- If the first student is incorrect and the challenge is correct, the challenging team gets the points.
- If the first student is incorrect and the challenge is incorrect, neither team receives points.

The team answering or challenging correctly is awarded the next "chance."

- If neither team answers correctly, the challenging team takes another "chance."

Keep a running total for both teams on the chalkboard. Ask the teacher to be scorekeeper and judge.

The team with the most points wins.

TIC TAC TOE

This game is a variation on Chance or Challenge and the old television game show, *Hollywood Squares*.

Arrange nine desks in a square in the center of the classroom. Assign nine students (or nine pairs to increase participation) to the desks. Ask each of these students to write a large X on one side of his or her table tent and a large O on the other.

Invite two "contestants" to the front of the room, one will play Xs, the other Os.

As master of ceremonies, ask contestant X to select a student/box in the tic-tac-toe grid.

Then select a question at random for the student in the grid to answer correctly or bluff. The contestant must give the correct answer or agree with the student in the grid.

- Contestants are awarded "squares" by confirming that the student in the grid has answered correctly or by correcting a bluffed answer.
- No square is awarded if a bluff is not corrected.
- When a square is awarded, the student in the grid should display his or her table tent with the appropriate letter facing the contestants.

Play shifts to contestant O and continues in the same manner, until there are three Xs or Os in a row.

Select new contestants and students for the tic-tac-toe grid after each game.

TRIVIA

Divide the class into four or five teams.

Ask each team, in turn, a question. Draw questions of different difficulty levels at random from a container.

- Award five points for hard questions, three points for medium questions, and two points for easy questions.
- Teams must agree on an answer in the amount of time you specify. (Thirty seconds should be adequate.)
- Incorrect answers receive no points. (You may award two points to the next team if it can answer a missed question correctly.)

Ask the teacher to keep a running tally of points on the chalkboard and to serve as timekeeper and judge.

The team with the most points is the winner.

Summary and Review

Award prizes to winning teams or individuals.

Review briefly the ideas you believe will be most important to the students and explain how you have benefited from your time with them.

Distribute the Certificates of Achievement with a little flair and ceremony.

Shake students' hands as you give them their certificates.

E The rivalry among businesses for consumers' dollars is called _____.

competition

M Name one benefit of competition among businesses for consumers.

Lower prices, better quality or service, greater variety

M All other things being equal, if the demand for fried chicken declines, you can expect the price of fried chicken to

A. increase. C. stay the same.
B. decrease.

H When the founder and CEO of A-1 Auto Parts Incorporated retires, the business will have to be sold or close its doors. Yes or no, and why?

No. As a corporation, A-1 will continue to operate under the leadership of its stockholders and board of directors. Corporations have "unlimited life."

E All the money left after a business has paid its expenses is called _____.

profit

M All the people interested in buying tires and all the people interested in selling tires form a _____.

market

M When floods in California destroyed the avocado crop, guacamole lovers expected the price of guacamole, which is made from avocados, to

A. increase. C. stay the same.
B. decrease.

M The type of business that relies most on the knowledge, skills, and money of an individual is the

A. corporation. **C. sole proprietorship.**
B. partnership.

H Competition is a pillar of the free enterprise system. Name two others.

The price system and private ownership

E Slogans and appeals to reason are techniques used by _____.

advertisers

E A person who develops an idea for a business and provides the leadership and other resources needed to make the business a reality is a(n) _____.

entrepreneur

M The statement, "All else being equal, consumers will purchase more of a product at low prices than at high prices" is known as the _____.

Law of Demand

E In a chocolate chip cookie company, the cashier, baker, and manager would all be considered

A. stockholders. C. capital resources.
B. human resources.

M Transporting T-shirts from the factory to stores throughout the country is part of an important business activity called

A. marketing. C. exchange.
B. sales.

M In a pizza restaurant, the tables, chairs, ovens, and mixing equipment are all examples of _____.

capital resources

E In a free enterprise system most businesses are owned and operated by

A. corporations. **C. private individuals.**
B. state and local governments.

E Juan supervises a production team that produces custom mountain bikes. His team produces 20 bikes per day. This statement best describes

A. the production of Juan's team.
B. the productivity of Juan's team.
C. the competitiveness of Juan's team.

M If consumers have indicated that they are willing to pay higher prices for pizza, you could expect to see

A. special sales on pizza. C. more hamburger and
B. new pizza restaurants open. taco restaurants.

H	Based on the "circular flow" money in the economy, other businesses in Metropolis will benefit when Krypton Security moves to town because A. Metropolis will be a safer place to live. **B. Krypton's employees will spend their earnings in other Metropolis businesses.** C. Krypton will increase the amount of competition in Metropolis.	H	Explain the saying, "One person's expense is another's income." **Business expenses such as wages and salaries, payments for materials, rent, etc. are all income for individuals or other businesses. Individual purchases of food, clothing, entertainment, etc. are income for businesses.**
H	What *incentive* do businesses have to improve the quality of the goods they produce or the services they provide? **To make a profit. Improved quality or services attract customers, increase sales, and produce profit.**	H	Name one way managers can help employees improve both productivity and quality. **Give clear instructions, set clear performance standards, help workers take responsibility for quality, etc.**
M	The most common sources of financial resources for sole proprietors are A. bank loans. B. small business administration loans. **C. personal savings and loans from family and friends.**	E	Offering free delivery, advertising on the radio, having a sale, and offering discount coupons are all examples of **A. marketing.** B. advertising. C. methods of exchange.
E	Rent, wages, insurance, electricity, and interest are all examples of _____. **expenses or costs facing most businesses**	M	Dependability, reliability, and appearance are each indicators of _____. **quality**
H	Bobby King of Burger Bonanza noticed that his bills for buns, lettuce, hamburger meat, and other supplies were going up. But he was grateful that he was selling more hamburgers. These costs are called _____. **variable costs**	E	Corporations can have many owners. They are called A. partners. B. proprietors. **C. stockholders or shareholders.**
M	If each worker in an assembly line performs one basic step in producing a radio, the company is using **A. division of labor to improve efficiency.** B. specialization. C. just-in-time production.	M	A business that sells goods to other businesses—usually in large quantities—is called a **A. wholesaler.** B. retailer. C. mass marketer.
M	Name one advantage of using brainstorming to solve a business problem. **It involves several people, allows creative thinking, and leads to imaginative solutions.**	E	List two examples of services governments often provide. **Highway repair, national defense, regulating the safety of food and medicines, education/schools, water and sewage treatment, police protection, etc.**
M	A time when unemployment is falling, prices are rising, and businesses are growing is called A. the peak of the business cycle. **B. an expansion.** C. a recession.	M	The value—in dollars—of all the goods and services produced in the United States in a year is called A. Total Annual Production. B. Consumer Product Index. **C. Gross Domestic Product.**
M	When you learn from the national news that the United States is experiencing *inflation*, it means that **A. most prices are going up.** B. most prices are going down. C. productivity is inflating production.	H	The board of directors of a large corporation complains that the staff is devoting too much time to volunteer work in the community. However, others would argue that the corporation is showing **social responsibility or good corporate citizenship.**

Junior Achievement®

Pre- and Post-Program Tests

If you wish to measure early in the program how much your students know about business, consider duplicating and administering Test 1 of What's Your BQ (Business Quotient)? of this packet.

The questions focus on Enterprise in Action's main concepts. The results will help you determine which activities to present and which concepts to stress.

Following the program, to see how much the class learned from your presentations, duplicate and administer Test 2 of What's Your BQ (Business Quotient)? of this packet.

The two tests are identical to help you measure gains; however, if you stressed additional information, you may wish to add some items of your own.

The answer key is on the next page. Correct answers are in bold type.

© 1995 Junior Achievement Inc., MG208-95

What's Your BQ (Business Quotient)?
ANSWER KEY

Answers are in **bold type**.

1. Most businesses in the United States are owned by
   A. the government.
   B. large corporations.
   C. private individuals.
   D. stockholders.

2. Businesses compete with one another for your dollars. What is one result of competition?
   A. Higher prices
   B. Improved quality and service
   C. Fewer choices for consumers
   D. Fewer advertisements

3. Most businesses need *capital resources* to operate. Which of the following is a capital resource?
   A. The oven in a bakery
   B. The sales person in a department store
   C. The CDs in a music store
   D. The flour, pizza sauce, cheese, in a pizza

4. If you started a chocolate chip cookie shop, your profits would be
   A. all the money you receive from selling cookies.
   B. the money you receive from selling cookies minus the taxes you pay.
   C. the money you receive from selling cookies minus the wages you pay your employees.
   D. the money left after paying all your expenses.

5. Maria owns stock in IBM Inc.
   A. Maria is probably an IBM employee.
   B. Maria is one of the many owners of IBM.
   C. Maria is a partner in IBM and helps make important business decisions.
   D. Maria owns an IBM personal computer.

6. Most people who want to start a small business get the money they need from
   A. the government.
   B. banks.
   C. their own savings, friends, and family.
   D. corporations.

7. There are five workers on the Acme Mountain bike production team. Each day they produce 25 bikes. The productivity per worker is
   A. 25 bikes per day.
   B. 5 bikes per day.
   C. 125 bikes per week.
   D. You can't tell since they work as a team.

8. If a freeze in the mountains of Colombia kills thousands of coffee plants, coffee drinkers in the United States can expect the price of coffee to
   A. decrease.
   B. increase.
   C. stay the same.
   D. it is impossible to predict if coffee growers will change prices.

9. If more people want to buy the shoes a famous basketball star wears, you can expect the price of the shoes to
   A. decrease.
   B. increase.
   C. stay the same.
   D. it is impossible to predict if shoe companies will change prices.

10. When you buy a pizza, the money you spend is used to
    A. pay taxes.
    B. pay wages to workers in the pizza restaurant.
    C. buy flour, pizza sauce, onions, and pepperoni.
    D. all of the above.

11. When a new business comes to town, most people are excited because
    A. it usually means new jobs for the town.
    B. it usually means more customers for local businesses.
    C. it usually means more taxes the local government can collect.
    D. all of the above.

12. The *gross domestic product* is
    A. the total value of all the goods and services produced in a year in the United States.
    B. the worst product in the United States.
    C. the total produced since the American Revolution.
    D. air pollution.

13. In the United States, an important job of the government is to
    A. set prices businesses can charge for products.
    B. be sure everyone who wants a job can have one.
    C. provide police and fire protection.
    D. all of the above.

What's Your BQ (Business Quotient)?

Answer the questions to see what you know about business in the United States. Don't worry if you don't know all of the answers. Your Junior Achievement consultant will be helping you learn more about business in the coming weeks. Circle your answers.

1. Most businesses in the United States are owned by
   A. the government.
   B. large corporations.
   C. private individuals.
   D. stockholders.

2. Businesses compete with one another for your dollars. What is one result of competition?
   A. Higher prices
   B. Improved quality and service
   C. Fewer choices for consumers
   D. Fewer advertisements

3. Most businesses need *capital resources* to operate. Which of the following is a capital resource?
   A. The oven in a bakery
   B. The sales person in a department store
   C. The CDs in a music store
   D. The flour, pizza sauce, cheese, in a pizza

4. If you started a chocolate chip cookie shop, your profits would be
   A. all the money you receive from selling cookies.
   B. the money you receive from selling cookies minus the taxes you pay.
   C. the money you receive from selling cookies minus the wages you pay your employees.
   D. the money left after paying all your expenses.

5. Maria owns stock in IBM Inc.
   A. Maria is probably an IBM employee.
   B. Maria is one of the many owners of IBM.
   C. Maria is a partner in IBM and helps make important business decisions.
   D. Maria owns an IBM personal computer.

6. Most people who want to start a small business get the money they need from
   A. the government.
   B. banks.
   C. their own savings, friends, and family.
   D. corporations.

7. There are five workers on the Acme Mountain bike production team. Each day they produce 25 bikes. The productivity per worker is
   A. 25 bikes per day.
   B. 5 bikes per day.
   C. 125 bikes per week.
   D. You can't tell since they work as a team.

8. If a freeze in the mountains of Colombia kills thousands of coffee plants, coffee drinkers in the United States can expect the price of coffee to
   A. decrease.
   B. increase.
   C. stay the same.
   D. it is impossible to predict if coffee growers will change prices.

9. If more people want to buy the shoes a famous basketball star wears, teens can expect the price of the shoes to
   A. decrease.
   B. increase.
   C. stay the same.
   D. it is impossible to predict if shoe companies will change prices.

10. When you buy a pizza, the money you spend is used to
    A. pay taxes.
    B. pay wages to workers in the pizza restaurant.
    C. buy flour, pizza sauce, onions, and pepperoni.
    D. all of the above.

11. When a new business comes to town, most people are excited because
    A. it usually means new jobs for the town.
    B. it usually means more customers for local businesses.
    C. it usually means more taxes the local government can collect.
    D. all of the above.

12. The *gross domestic product* is
    A. the total value of all the goods and services produced in a year in the United States.
    B. the worst product in the United States.
    C. the total produced since the American Revolution.
    D. air pollution.

13. In the United States, an important job of the government is to
    A. set prices businesses can charge for products.
    B. be sure everyone who wants a job can have one.
    C. provide police and fire protection.
    D. all of the above.

What's Your BQ (Business Quotient)?

Answer the questions to see what you have learned about business in the United States during Enterprise in Action. Circle your answers.

1. Most businesses in the United States are owned by
   A. the government.
   B. large corporations.
   C. private individuals.
   D. stockholders.

2. Businesses compete with one another for your dollars. What is one result of competition?
   A. Higher prices
   B. Improved quality and service
   C. Fewer choices for consumers
   D. Fewer advertisements

3. Most businesses need *capital resources* to operate. Which of the following is a capital resource?
   A. The oven in a bakery
   B. The sales person in a department store
   C. The CDs in a music store
   D. The flour, pizza sauce, cheese, in a pizza

4. If you started a chocolate chip cookie shop, your profits would be
   A. all the money you receive from selling cookies.
   B. the money you receive from selling cookies minus the taxes you pay.
   C. the money you receive from selling cookies minus the wages you pay your employees.
   D. the money left after paying all your expenses.

5. Maria owns stock in IBM Inc.
   A. Maria is probably an IBM employee.
   B. Maria is one of the many owners of IBM.
   C. Maria is a partner in IBM and helps make important business decisions.
   D. Maria owns an IBM personal computer.

6. Most people who want to start a small business get the money they need from
   A. the government.
   B. banks.
   C. their own savings, friends, and family.
   D. corporations.

7. There are five workers on the Acme Mountain bike production team. Each day they produce 25 bikes. The productivity per worker is
   A. 25 bikes per day.
   B. 5 bikes per day.
   C. 125 bikes per week.
   D. You can't tell since they work as a team.

8. If a freeze in the mountains of Colombia kills thousands of coffee plants, coffee drinkers in the United States can expect the price of coffee to
   A. decrease.
   B. increase.
   C. stay the same.
   D. it is impossible to predict if coffee growers will change prices.

9. If more people want to buy the shoes a famous basketball star wears, teens can expect the price of the shoes to
   A. decrease.
   B. increase.
   C. stay the same.
   D. it is impossible to predict if shoe companies will change prices.

10. When you buy a pizza, the money you spend is used to
    A. pay taxes.
    B. pay wages to workers in the pizza restaurant.
    C. buy flour, pizza sauce, onions, and pepperoni.
    D. all of the above.

11. When a new business comes to town, most people are excited because
    A. it usually means new jobs for the town.
    B. it usually means more customers for local businesses.
    C. it usually means more taxes the local government can collect.
    D. all of the above.

12. The *gross domestic product* is
    A. the total value of all the goods and services produced in a year in the United States.
    B. the worst product in the United States.
    C. the total produced since the American Revolution.
    D. air pollution.

13. In the United States, an important job of the government is to
    A. set prices businesses can charge for products.
    B. be sure everyone who wants a job can have one.
    C. provide police and fire protection.
    D. all of the above.

Test 2

Junior Achievement

ONGOING ACTIVITIES

These activities are designed for classes that have a particular interest in learning more about the stock market or banking and budgeting. For a few minutes at the beginning of each session, the students practice their skills at reading stock market tables or performing simple banking transactions. Plan to start these activities early in the program!

Stock Market

Before class obtain a baseball card of a player students in your area might recognize. Obtain multiple copies of stock market reports from the newspaper the day before you attend class. Identify key local stocks and firms of particular interest to the students, and be sure to duplicate a Stock Transaction Record Form for each student or investment team.

Explain that stockholders are people who own shares of stock in corporations, one of three major forms of business in the United States. Through the sale of stock, corporations raise the money they need for new projects. People who buy shares of stock often are interested in earning dividends–shares in the corporation's profits. Also, they often buy and sell stocks in different corporations to make a profit as the stocks change in value.

To illustrate the idea of trading stock, hold up a baseball card and ask,

- How much do you suppose I paid for this card?
- What would happen to the card's value if the player were named Most Valuable Player?
- What would happen to the card's value if I were to save it for 20 years and the player were voted into the Hall of Fame?
- What would happen to the card's value if the player broke his leg and never played baseball again?

Explain that as with baseball cards the value of a stock can change with the success of a company and events in the world. Ask the students to suggest some events that might influence the value of stocks of companies in the following industries:

Aerospace: the successful launching of a space shuttle

Motion pictures: the production of a blockbuster movie

Airplane manufacturing: an airplane crash

Hamburgers: news that beef is high in cholesterol

© 1995 Junior Achievement Inc., MG207-95

Activity—Investing in the Stock Market

Distribute a copy of the stock market table. Identify the key terms students will need to understand. Focus on the closing price that students will use to make their initial purchase decisions.

Have the students work as individuals or as investment teams of three to four students to select stocks from a newspaper or from some community businesses you've selected. They must try to invest all of their funds ($2,000, for example) and must have less than $200 cash on hand after their investments have been made. They should record their transactions on the "Stock Transaction Record Form" following this activity.

In the weeks ahead, take 10 to 15 minutes for the students to update their charts, make sales and purchases, and discuss the week's results. If some students need help, compute and post their decisions for them so that the computations do not discourage or impede discussion. To challenge students, consider group or individual projects that involve submitting a portfolio and a written rationale for their weekly decisions.

Use various incentives to build competition and excitement into the activity. For example,

- Give cash dividends (see money master) to those three or four students or the group whose investments are worth the most at the end of the activity.
- Compete with the students on their weekly decisions and reward them accordingly.
- Promise to award the final winning investor a share of stock from that company or yours, company box seats to a ball game, pizza, etc.
- If you are using cash incentives, credit $15 to an investor's account for finding a newspaper article about one of his or her listed companies.

Banking and Budgeting

Before class, check with a local bank for sample banking forms, checks, and check registers, or use the masters that follow this activity to duplicate forms for each student. Duplicate the Weekly Income and Expenses cards. Spend five minutes each week having the students draw the cards and write the appropriate checks and deposits. You may add to them by using local issues or topics based on your class discussions. Students can work individually or in groups (families) to assist one another in balancing their checkbooks and solving problems.

Wages provide an incentive for students to participate in the class. Assign a beginning balance to each student. Duplicate a supply of money and banking forms. Pay the students established amounts for participation in the class. A sample wage scale follows:

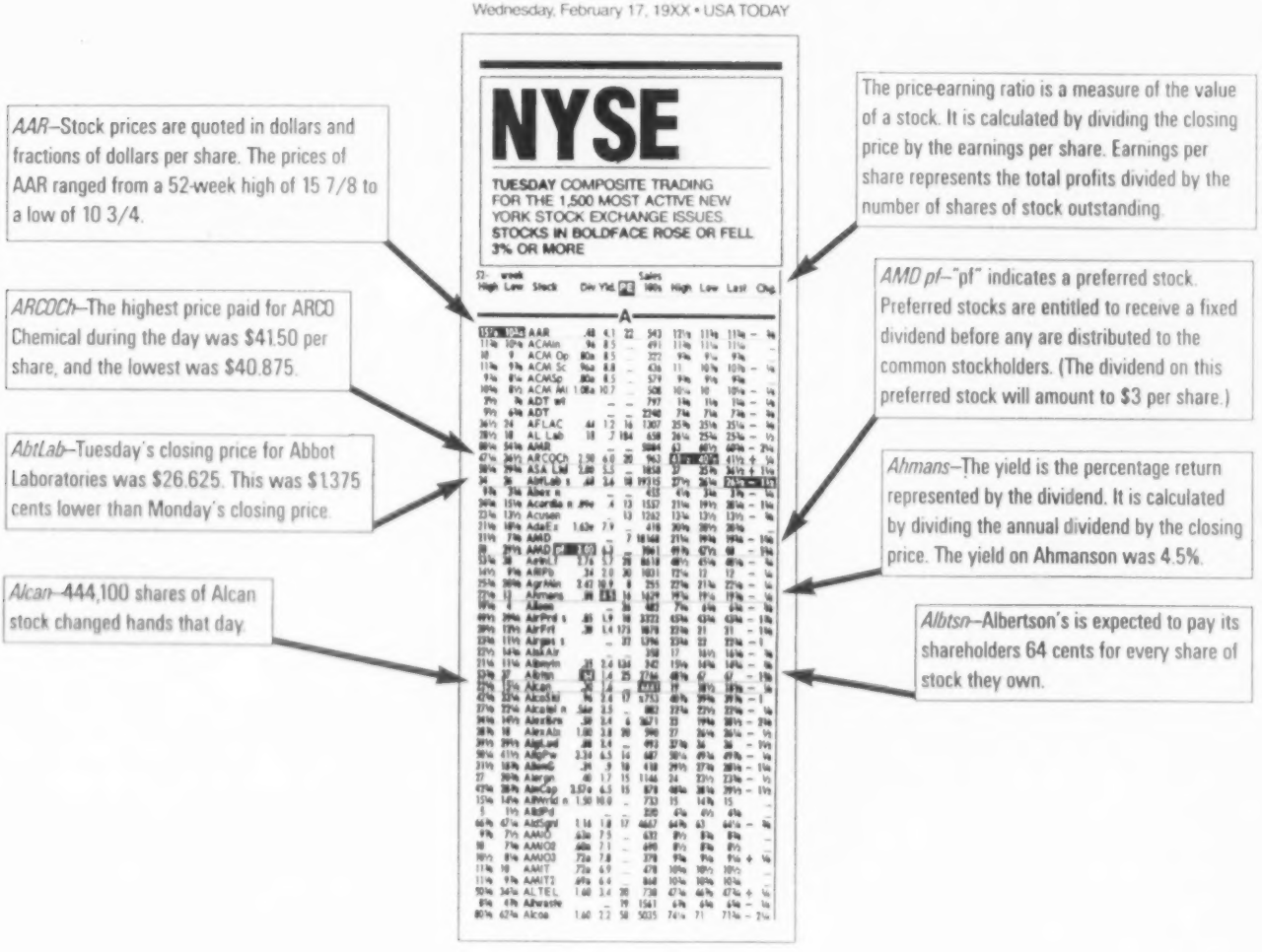
- Attendance: $20
- Winners of class activities: $5
- Extra credit for special projects, student-initiated projects, extraordinary efforts, etc.: $5-$10
- Prepared in class: $3
- Submitting assigned homework: $3
- Oral presentations: $3

From time to time during the semester or at the end of the program, let students spend their money. The following ideas have been used successfully by consultants:

- Tempt the students to spend their money during activities that require money.
- Gather items for an auction. Ideas for auction items include promotional items from your business, key chains, calendars, notebooks, pens, pencils, decals, coupons, candy bars, gum, erasers, etc. Conduct the auction on your last visit.

Stock Market Table

Many people put their money in bank accounts to earn interest so that their savings will grow. Others invest in U.S. savings bonds, corporate bonds, mutual funds, and the stock market. A stock is a share of the ownership of a corporation. Stocks are traded every day at several stock exchanges around the country. The New York Stock Exchange is the largest and the best known. The example below is taken from a typical newspaper summary of trading on the NYSE. The captions will help you understand what the numbers mean.


Wednesday, February 17, 19XX • USA TODAY
NYSE
TUESDAY COMPOSITE TRADING FOR THE 1,500 MOST ACTIVE NEW YORK STOCK EXCHANGE ISSUES. STOCKS IN BOLDFACE ROSE OR FELL 3% OR MORE
AAR–Stock prices are quoted in dollars and fractions of dollars per share. The prices of AAR ranged from a 52-week high of 15 7/8 to a low of 10 3/4.
ARCOCh–The highest price paid for ARCO Chemical during the day was $41.50 per share, and the lowest was $40.875.
AbtLab–Tuesday's closing price for Abbot Laboratories was $26.625. This was $1.375 cents lower than Monday's closing price.
Alcan–444,100 shares of Alcan stock changed hands that day.
The price-earning ratio is a measure of the value of a stock. It is calculated by dividing the closing price by the earnings per share. Earnings per share represents the total profits divided by the number of shares of stock outstanding.
AMD pf–"pf" indicates a preferred stock. Preferred stocks are entitled to receive a fixed dividend before any are distributed to the common stockholders. (The dividend on this preferred stock will amount to $3 per share.)
Ahmans–The yield is the percentage return represented by the dividend. It is calculated by dividing the annual dividend by the closing price. The yield on Ahmanson was 4.5%.
Albtsn–Albertson's is expected to pay its shareholders 64 cents for every share of stock they own.

Conversion of fractions to cents.			
1/8	12.5 cents	5/8	62.5 cents
1/4	25 cents	3/4	75 cents
3/8	37.5 cents	7/8	87.5 cents
1/2	50 cents		

Stock Transactions

1. You have _____ to spend on stocks. Enter that amount as your Beginning Balance in column 6.

2. Select up to three stocks for purchase and buy in groups of 100 shares. You may buy or sell stocks once each week.

3. Write the name of each stock you choose in column 1 on consecutive unshaded lines, and write its price next to it in column 2, Price. (Use previous day's closing price.)

4. If you bought shares, enter the number bought in column 3.

5. If you sold shares, enter the number in column 4. (After the first week you may need to sell stock in order to purchase stock in a different corporation.)

6. In column 5 place the total value of each stock you purchased or sold. (To get the total, multiply the number of shares by the price per share.)

7. Finally, in column 6 figure a new balance by adding stock sales or subtracting stock purchases and entering the results on the shaded line.

STOCK TRANSACTION RECORD FORM

Date	1 Stock Name	2 Price	3 Number Shares Bought	4 Number Shares Sold	5 Number X Price	6 Balance _____ (Beginning Balance)

Weekly Income and Expenses

Give the students the following instructions:

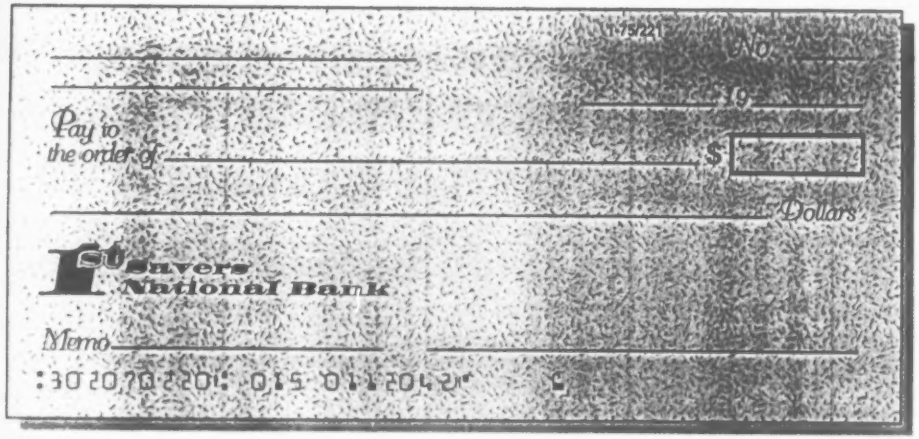
1. As you are paid your weekly income at each session, enter your income as a deposit in your check register.

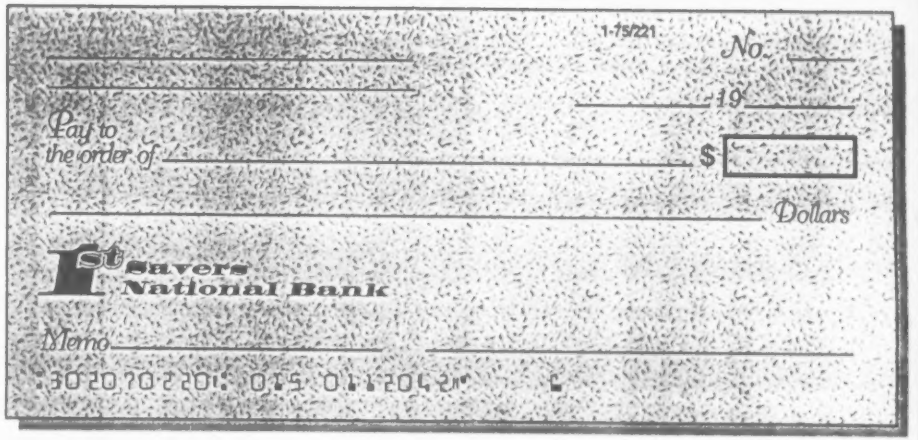
2. Draw a Weekly Income and Expenses card. It may be a windfall (unexpected income), moonlight money (additional earnings from odd jobs), or an unexpected expense. Write a check or record a deposit.

   - Enter the amount of money associated with each situation in your checkbook record as an additional deposit, or prepare a check to cover the expense.
   - Make your checks payable to the appropriate business or individual.
   - If your unexpected expenses and weekly expenses are more than your weekly income, write your weekly expense check for only the amount of your "needs."

3. Balance your checkbook each week after all transactions are complete.

Windfall **$50** Won radio station contest by answering your telephone with the words "KZAP plays the hits."	**Expense** **$30** Your alarm clock rings only at midnight. You buy a new one.	**Moonlight Money** **$25** You helped a neighbor move on Saturday.
Windfall **$45** Won cooking contest with your famous "heartache" chili recipe.	**Expense** **$20** Your video game is overdue at the public library. Fine: $1 per day.	**Moonlight Money** **$40** You washed and waxed cars in the neighborhood.
Windfall **$50** Your picture of gum on the sidewalk won "Best Still Life" from the Shutterbug Club.	**Expense** **$50** Your Frisbee glides through the neighbor's closed window. You replace it.	**Moonlight Money** **$30** You delivered flowers for a local florist during the holiday rush.
Windfall **$40** You found a rare copy of a Batman comic.	**Expense** **$15** You dropped "extra sauce" pizza on your best clothes. They need extra cleaning.	**Moonlight Money** **$25** You ran errands for neighbors.
Windfall **$40** You notice that Billy Martin's face is on your Tommy Lasorda baseball card.	**Expense** **$40** You lost a contact lens playing football.	**Moonlight Money** **$15** You baby-sat Friday night.
Windfall **$15** Your school science project took the blue ribbon.	**Expense** **$35** You won honorable mention at a pie eating contest. You had your stomach pumped.	**Moonlight Money** **$20** You gave tennis lessons on the weekend.


1-75/221
No.
19
Pay to the order of
$
Dollars
1st Savers National Bank
Memo
:30207022201: 015 011204 2#


1-75/221
No.
19
Pay to the order of
$
Dollars
1st Savers National Bank
Memo
:30207022201: 015 011204 2#

1-75/221
No.
19
Pay to the order of
$
Dollars
1st Savers National Bank
Memo
:30207022201: 015 011204 2#

1-75/221
No.
19
Pay to the order of
$
Dollars
1st Savers National Bank
Memo
:30207022201: 015 011204 2#

1-75/221
No.
19
Pay to the order of
$
Dollars
1st Savers National Bank
Memo
:30207022201: 015 011204 2#

1-75/221
No.
19
Pay to the order of
$
Dollars
1st Savers National Bank
Memo
:30207022201: 015 011204 2#

CHECK NO.	DATE	CHECK ISSUED TO	AMOUNT (-) OF CHECK	✓	DATE OF DEP.	AMOUNT (+) OF DEPOSIT	BALANCE

Deposit Ticket

DATE _____ 19 _____

Deposits May Not Be Available For Immediate Withdrawal

_____

Sign Here For Cash Received (If Required)

CASH	CURRENCY		
	COIN		
LIST CHECKS SINGLY			
TOTAL FROM OTHER SIDE			
TOTAL			
LESS CASH RECEIVED			
NET DEPOSIT			

1st Savers National Bank

BE SURE EACH ITEM IS PROPERLY ENDORSED

:302070220: 015 011204 2#

CHECK NO.	DATE	CHECK ISSUED TO	AMOUNT (-) OF CHECK	✓	DATE OF DEP.	AMOUNT (+) OF DEPOSIT	BALANCE

Deposit Ticket

DATE _____ 19 _____

Deposits May Not Be Available For Immediate Withdrawal

_____

Sign Here For Cash Received (If Required)

CASH	CURRENCY		
	COIN		
LIST CHECKS SINGLY			
TOTAL FROM OTHER SIDE			
TOTAL			
LESS CASH RECEIVED			
NET DEPOSIT			

1st Savers National Bank

BE SURE EACH ITEM IS PROPERLY ENDORSED

:302070220: 015 011204 2#

Deposit Ticket

DATE _____ 19 _____

Deposits May Not Be Available For Immediate Withdrawal

_____

Sign Here For Cash Received (If Required)

CASH	CURRENCY		
	COIN		
LIST CHECKS SINGLY			
TOTAL FROM OTHER SIDE			
TOTAL			
LESS CASH RECEIVED			
NET DEPOSIT			

1st Savers National Bank

BE SURE EACH ITEM IS PROPERLY ENDORSED

:302070220: 015 011204 2#

Deposit Ticket

DATE _____ 19 _____

Deposits May Not Be Available For Immediate Withdrawal

_____

Sign Here For Cash Received (If Required)

CASH	CURRENCY		
	COIN		
LIST CHECKS SINGLY			
TOTAL FROM OTHER SIDE			
TOTAL			
LESS CASH RECEIVED			
NET DEPOSIT			

1st Savers National Bank

BE SURE EACH ITEM IS PROPERLY ENDORSED

:302070220: 015 011204 2#

85

86

1
Junior Achievement Dollar
1
Junior Achievement
Junior Achievement
1
1

1
Junior Achievement Dollar
1
Junior Achievement
Junior Achievement
1
1

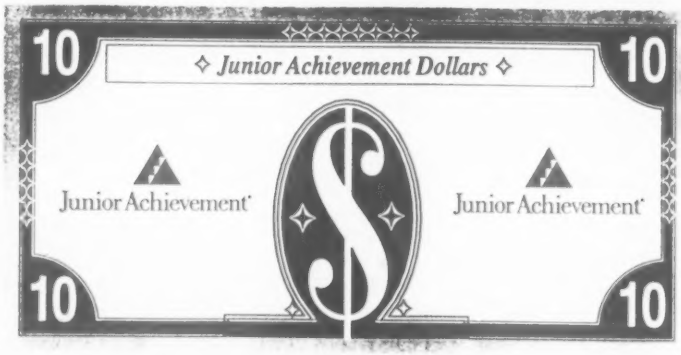
1
Junior Achievement Dollar
1
Junior Achievement
Junior Achievement
1
1

1
Junior Achievement Dollar
1
Junior Achievement
Junior Achievement
1
1

5
Junior Achievement Dollars
5
Junior Achievement
Junior Achievement
5
5

5
Junior Achievement Dollars
5
Junior Achievement
Junior Achievement
5
5

10
Junior Achievement Dollars
10
Junior Achievement
Junior Achievement
10
10


10
Junior Achievement Dollars
10
Junior Achievement
Junior Achievement
10
10

Junior Achievement

RETAILER

(Buyer)

will buy one box of caps for
:50 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$100 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$125 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$150 or less.

Junior Achievement

RETAILER

(Buyer)

will buy one box of caps for
:75 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$100 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$125 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$175 or less.

Junior Achievement

RETAILER

(Buyer)

will buy one box of caps for
:75 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$125 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$150 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$175 or less.

Junior Achievement

RETAILER

(Buyer)

will buy one box of caps for
$100 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$125 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$150 or less.

Junior Achievement

RETAILER

(Buyer)

I will buy one box of caps for
$200 or less.

Junior Achievement

WHOLESALER

(Seller)

will sell one box of caps for
$50 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$100 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$125 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$150 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$75 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$100 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$125 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$175 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$75 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$125 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$150 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$175 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$100 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$125 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$150 or more.

Junior Achievement

WHOLESALER

(Seller)

I will sell one box of caps for
$200 or more.

Fold 5 ↑

Fold 5 ↑

Junior Achievement

Fold 1 (This side out)

Fold 1 (This side out)

Place glue dots on spots indicated by this ⊙

Glue should not be visible

Fold 2

Fold 3

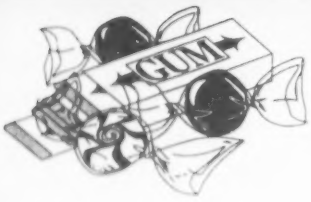
Fold 4 ↑

Fold 4 ↑

30

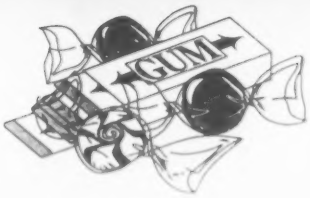
30

BEST COPY AVAILABLE



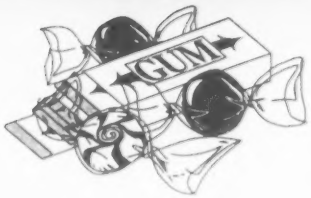
Candy Coupon
50 cents

Junior Achievement



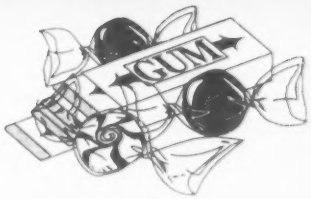
Candy Coupon
50 cents

Junior Achievement



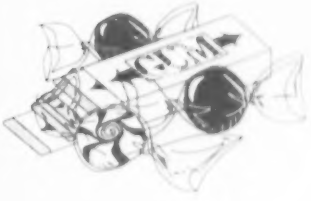
Candy Coupon
50 cents

Junior Achievement



Candy Coupon
50 cents

Junior Achievement

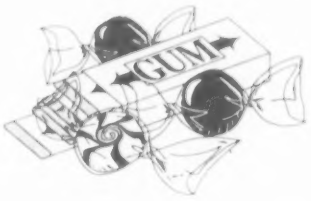


Candy Coupon
25 cents

Junior Achievement

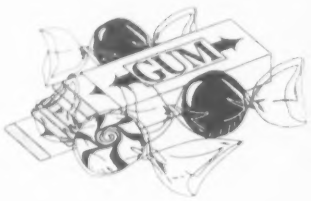
Candy Coupon
25 cents

Junior Achievement



Candy Coupon
25 cents

Junior Achievement

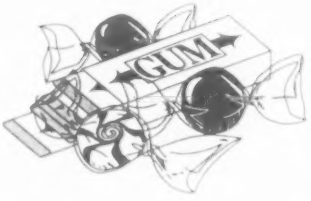


Candy Coupon
25 cents

Junior Achievement

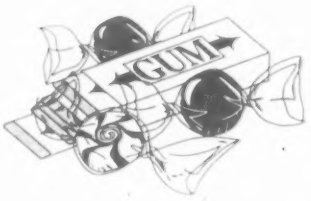
Candy Coupon
25 cents

Junior Achievement



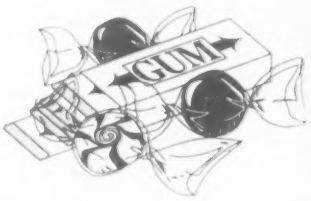
Candy Coupon
25 cents

Junior Achievement



Candy Coupon
25 cents

Junior Achievement

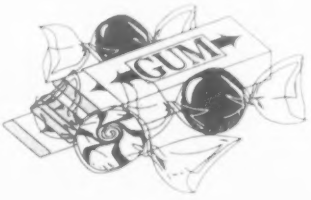


Candy Coupon
25 cents

Junior Achievement

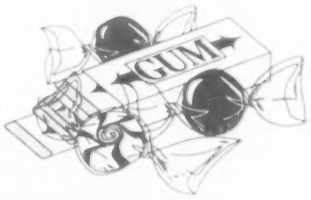
Candy Coupon
10 cents

Junior Achievement



Candy Coupon
10 cents

Junior Achievement



Candy Coupon
10 cents

Junior Achievement

Candy Coupon
10 cents

Junior Achievement

Getting to Know You

Name _____

Favorite Food _____

Favorite Book/TV Show _____

Favorite Sport _____

Someone I Admire _____ Why? _____

Favorite Subject in School _____

Education Goal _____

Career Goal _____

Predicted Achievements by Age 25 _____

Junior Achievement

Getting to Know You

Name _____

Favorite Food _____

Favorite Book/TV Show _____

Favorite Sport _____

Someone I Admire _____ Why? _____

Favorite Subject in School _____

Education Goal _____

Career Goal _____

Predicted Achievements by Age 25 _____

Junior Achievement

Getting to Know You

Name _____

Favorite Food _____

Favorite Book/TV Show _____

Favorite Sport _____

Someone I Admire _____ Why? _____

Favorite Subject in School _____

Education Goal _____

Career Goal _____

Predicted Achievements by Age 25 _____

Junior Achievement

Getting to Know You

Name _____

Favorite Food _____

Favorite Book/TV Show _____

Favorite Sport _____

Someone I Admire _____ Why? _____

Favorite Subject in School _____

Education Goal _____

Career Goal _____

Predicted Achievements by Age 25 _____

Junior Achievement

Getting to Know You

Name _____

Favorite Food _____

Favorite Book/TV Show _____

Favorite Sport _____

Someone I Admire _____ Why? _____

Favorite Subject in School _____

Education Goal _____

Career Goal _____

Predicted Achievements by Age 25 _____

Junior Achievement

Getting to Know You

Name _____

Favorite Food _____

Favorite Book/TV Show _____

Favorite Sport _____

Someone I Admire _____ Why? _____

Favorite Subject in School _____

Education Goal _____

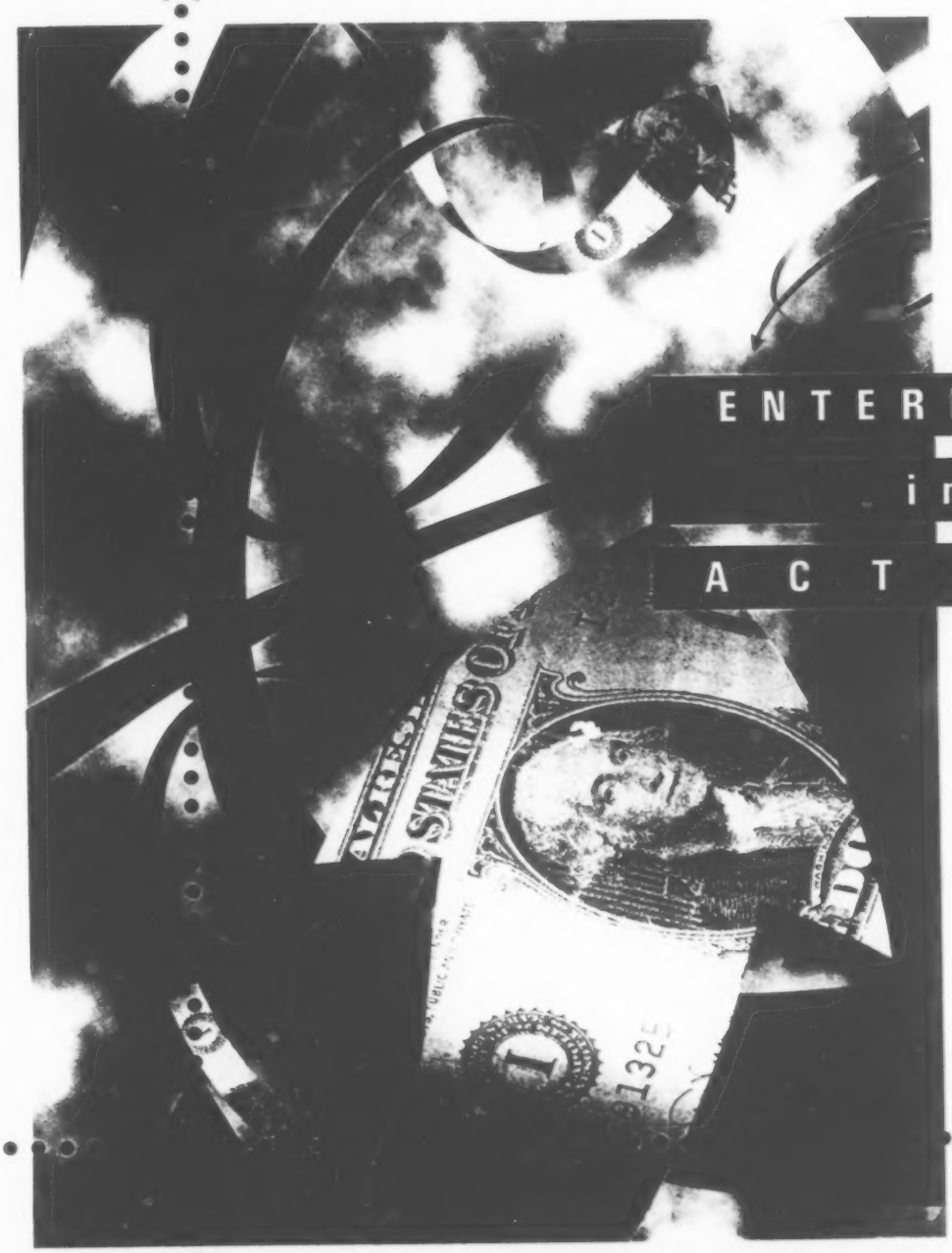
Career Goal _____

Predicted Achievements by Age 25 _____

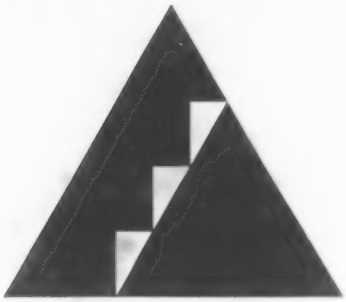
Junior Achievement

© 1995 Junior Achievement

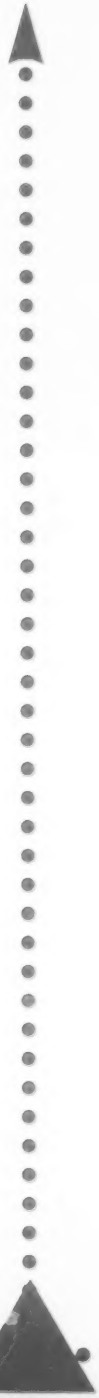
Junior Achievement®



ENTERPRISE in ACTION™



Junior Achievement®



ENTERPRISE in ACTION™

Copyright • 1995
Junior Achievement Inc.
Colorado Springs, Colorado

The text of this publication, or any part thereof, may not be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, storing in an information retrieval system, or otherwise except in the course of conducting a registered Junior Achievement class or with the permission of the publisher.

Printed in the United States of America
97 96 10 9 8 7 6 5 4 3 2

letter home

Junior Achievement®

Dear

Guess what? This semester I'm in a Junior Achievement program. Each week a local business person, called a consultant, will be visiting my class to help me understand more about business and our economy. We'll be learning how businesses get started, how they are organized, and how business decisions are made. We'll also talk about the skills I'll need for my future career.

The consultant visiting my class is

The consultant's job is

I met the consultant today, and the activities we'll be doing sound like they'll be interesting and fun.

I'll tell you more about the program later.

Yours,

a note about

Junior Achievement®

Junior Achievement Inc. is a not-for-profit organization financed by over 100,000 businesses, foundations, and individuals. The purpose of Junior Achievement is to educate and inspire young people to value free enterprise, understand business and economics, and be workforce ready.

Since its founding in 1919 by Horace A. Moses, president of Strathmore Paper Company (Springfield, Massachusetts), Junior Achievement has contributed to the business and economics education of young people in 3,300 communities in the United States and other countries. In the United States, over 57,000 volunteers present Junior Achievement programs each year.

Junior Achievement programs for kindergarten through grade 12 include the following:

The Elementary School Program is an economics and business curriculum for students in kindergarten through grade six. Participants learn about the roles they play as individuals, workers, and consumers. Through lively discussions and activities, the students discover how basic economic concepts apply to their lives today and in the future. Like Junior Achievement's other programs, the Elementary School Program is presented by Junior Achievement volunteers, with support from classroom teachers.

The Middle Grades Program is an in-school, economics and business curriculum for seventh-, eighth-, and ninth-grade students. It is organized around three major themes: Personal Economics, Enterprise in Action, and The International Marketplace. A business volunteer, who is a role model for the students, presents eight to 10 activities on one theme.

Economics is an in-school, one semester course introducing economics to high school sophomores, juniors, and seniors. The students use a textbook, a study guide, and computer software developed and produced by Junior Achievement. Theoretical concepts are enriched by the experience of organizing and operating a "student company," by a computer management simulation, and by weekly visits from a business volunteer.

The Company Program, the original Junior Achievement program, provides high school students with practical business experience through the organization and operation of a business enterprise. With the assistance of business volunteers, the students gain insights into the complexities and rewards of the American economic system.

The Company Masters Program provides an opportunity for students to extend their Junior Achievement learning experience. Through a simulation, students solve business problems and develop business leadership skills.

All Junior Achievement programs are field tested in classrooms and updated in response to comments from teachers, students, and consultants. Each program is evaluated by an independent research firm. The results of these evaluations are used to revise and improve the instructional materials.

Junior Achievement Inc.
One Education Way
Colorado Springs, CO 80906

table of contents

a consumer hit parade ..... page 2

competition -what's in it for you? ..... page 3

entrepreneurs ..... page 4

the wheel of emergence ..... page 5

why not start your own business? ..... page 6

business plan ..... page 7

burger breakdown ..... page 8

teresa's Ts ..... page 9

quality for sale ..... page 11

supply and demand ..... page 12

problems in supply and demand ..... page 15

advertisements ..... page 16

teresa's marketing plan ..... page 18

keeping the competitive edge ..... page 19

the circular flow of money, goods, and services ..... page 20

business and social responsibility ..... page 21

the circular flow-one more time around! ..... page 22

issues at equestion ..... page 23

measuring the economy's ups & downs ..... page 24

glossary ..... page 27

a consumer hit parade

Do businesses have an impact on the way you live? Unless you have a job, you are likely to answer, "No, not at all!" But if you'll take a few moments to think about the question, you'll realize that businesses play a very important role in your everyday life. Businesses supply the food you eat, the clothes you wear, and the CDs you listen to.

But teens like you also impact businesses. Teenagers in the United States spend over $60 billion each year, and businesses work hard to produce products teens will buy.

The activity below will help you understand the importance of businesses to you and your family.

Work with the members of your team to answer the questions in the boxes below. List as many goods or services as you can. Don't worry if you cannot think of five for every box.

1. **List five goods or services you buy when you have a few extra dollars ($5 - $20); e.g., CDs, snacks, T-shirts, and movie tickets.**

   a. _____

   b. _____

   c. _____

   d. _____

   e. _____

2. **List five goods or services your family bought last month that it needed; e.g., tires, school supplies, and visits to the doctor.**

   a. _____

   b. _____

   c. _____

   d. _____

   e. _____

3. **List five goods or services you would buy if price were no object; e.g., new clothes, vacations, and concert tickets.**

   a. _____

   b. _____

   c. _____

   d. _____

   e. _____

4. **List five goods or services you or your family use frequently that impact the way you live; e.g., cars, washer/dryer, TV, and microwave.**

   a. _____

   b. _____

   c. _____

   d. _____

   e. _____

competition
what's in it for you?

In the 1950s, a pair of canvas sneakers or tennis shoes were inexpensive "play shoes" for children. But teens didn't wear them unless they were playing basketball or some other sport.

Today Reebok, Nike, L.A. Gear, adidas, and other athletic shoe manufacturers spend millions of dollars advertising and improving their shoes for athletes and fashion-conscious teens and adults. Shoes with air pumps, others with air cushions, and still others with lights that flash as you walk down the street are all competing for your dollars.

How often do you wear athletic shoes to school each week?

What brand do you prefer? Why?

What type of shoe do you prefer?

Do you wear them for their appearance and comfort, or do you think they make you a better athlete?

Americans spent over $6 billion for athletic shoes in 1990, and the competition for your money is hot.

What strategies do Nike, Reebok, and the other companies use to compete for your money?

Do you benefit from the competition? Why or why not?

What other businesses compete for teenagers' dollars? What strategies do they use to attract your attention?

In sports, competition usually makes you work harder. Students who want to score 100 percent on tests, or be the "first chair" in the school band compete to be the "best." Competition can make us stronger, smarter, faster, and even more creative. Do shoe companies compete to be the best? What would make one company better than another?

The quality of its materials and workmanship.
The styles it uses.
The way it listens to customers.
The prices it charges.

Does competition make companies more interested in what you want? Does it make the products you want better buys? What do you think?

_____

_____

_____

BUSINESS WORDSEARCH

Find these important business terms hidden in the puzzle below.

private property	competition	market
business	owner	manager
customer	consumer	dollars
money	variety	quality
service	producer	innovation
prices	demand	

I W X C G H R E C U D O R P Y
N K D E M A N D B J L M E Q T
N U B D Z A B R E N W O M I R
O P M Q V A R I E T Y N U H E
V J L O S Z U K N Q M G S V P
A Y S E C I R P E T P I N E O
T C K P J E B A N T L U O Z R
I X Y M G D U E W F B Q C H P
O T G A C U S T O M E R J L E
N I N O I T I T E P M O C M T
P A U C S R N K Q W O Y T B A
M F J O M O E N G C N S K P V
E C I V R E S O X L E R V O I
D O L L A R S E H U Y M X A R
V T R D O C Z O U A L I T Y P

entrepreneurs

Not too many years ago computers were huge electronic machines used by scientists, engineers, and large businesses to store information and make complicated calculations. Today, millions of people use computers small enough to fit in a briefcase or sit on a kitchen table.

In the 1970s Steven Jobs used the money he got from selling his used Volkswagen van to build the first Apple computer. He believed that people would buy computers if they were affordable and easy to use. Jobs was right, and the personal computer industry was born.

Bill Gates was fascinated by the first personal computers. But he decided that the key to their success would be the availability of easy-to-use software. In 1975 he cofounded Microsoft Corporation which designed the basic operating system for IBM and IBM-compatible computers. Microsoft became the world's largest software company, and Bill Gates has become the world's youngest billionaire.

Gates and Jobs are both entrepreneurs. The term entrepreneur often is used to describe anyone who operates a business. But a true entrepreneur is usually someone who finds a new or better way to produce or sell a product. You are probably familiar with some famous entrepreneurs.

Some entrepreneurs develop everyday products.

- Madame C. J. Walker created hair dressings for African Americans and Ron Rice developed Hawaiian Tropic Tanning Oil in his garage.
- Ed Lowe packaged the clay granules used in gas stations to absorb oil as kitty litter and started a company that now earns millions each year.
- Debbi Fields (Mrs. Fields) created a new chocolate chip cookie.

Some entrepreneurs develop new ways to sell products.

- Ray Kroc, the founder of MacDonald's, didn't invent the hamburger, but he did develop a new and creative way to sell millions of them.
- Lane Nemeth, founder of Discovery Toys, found that educational toys were not always available in toy stores. She developed a way to sell toys in homes at toy parties.
- Fred Smith believed that there was a need for overnight mail delivery and he organized Federal Express.

Some entrepreneurs invent new products or processes.

- Henry Ford learned that he could produce more cars more efficiently by using an assembly line.
- The Kellogg brothers developed methods for producing crispy flakes of wheat and corn, and Clarence Birdseye discovered that frozen vegetables were almost as tasty as fresh.

Some entrepreneurs start at an early age.

- Naeemah Suluki combined baby-sitting with tutoring and earned much more than the average sitter.
- Daryl Bernstein started more than 50 different businesses before he was 15. Most involved neighborhood services such as walking dogs and putting trash cans on the curb for pick up.
- Brad Boisvert carved out a place for himself in the catering business by creating special fruit and vegetable party trays.
- Harold DeLoach and Jeff Johnson turned their experience as DJs into a business that provides sound systems and lighting for special events.

Many people think of entrepreneurs as lucky, but most entrepreneurs are creative, hard workers. Would you like to be an entrepreneur?

the wheel of enterprise

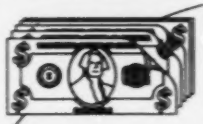
Instructions

Read the description of each section of the wheel of enterprise below. Then fill in the blanks in each section with matching examples of things you would need to start a new cookie business. For example, write "oven" under capital.

Idea – all successful businesses start with an idea for a good or service like a special recipe or an unusual delivery service. How about a cookie subscription? You deliver a fresh batch of cookies to your customers every Tuesday!

Profit – the money left over after expenses have been paid. Profits can be reinvested in the business to help it grow.

Market – the people interested in purchasing your cookies.



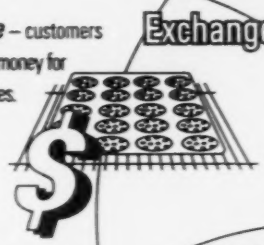
Profit

Market

1. _____
2. _____
3. _____

Capital – the machines and equipment needed to produce your cookies.

Exchange – customers exchange money for your cookies.



Exchange

Capital

1. _____
2. _____
3. _____

Idea!

Marketing

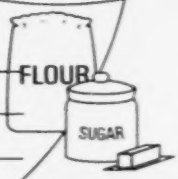
1. Advertising
2. Delivery Service
3. Packaging

Human Resources

1. _____
2. _____
3. _____

Materials

1. _____
2. _____
3. _____



Marketing – everything that takes place between baking a cookie and its purchase.

Materials – the raw materials and other supplies you need to produce your cookies.

Human Resources – wage earners and managers. Wage earners are paid by the hour. Managers are paid a salary. Managers decide the production method, hire the workers, purchase the materials, set prices, and determine quality standards.

why not start

What kinds of jobs do teenagers have? A recent survey found that 32.5 percent make money baby-sitting. Around 16 percent have worked in a restaurant, and another 15 percent have done lawn work. Almost 20 percent have never worked for pay. Although it may be hard for seventh-, eighth-, and ninth-graders to get good jobs, that doesn't mean you can't start a business.

Starting and operating a small business can be fun. It will give you the opportunity to use your creativity and energy to accomplish your goals. Who knows, you may be able to turn your hobby into a career.

Ask yourself these questions.

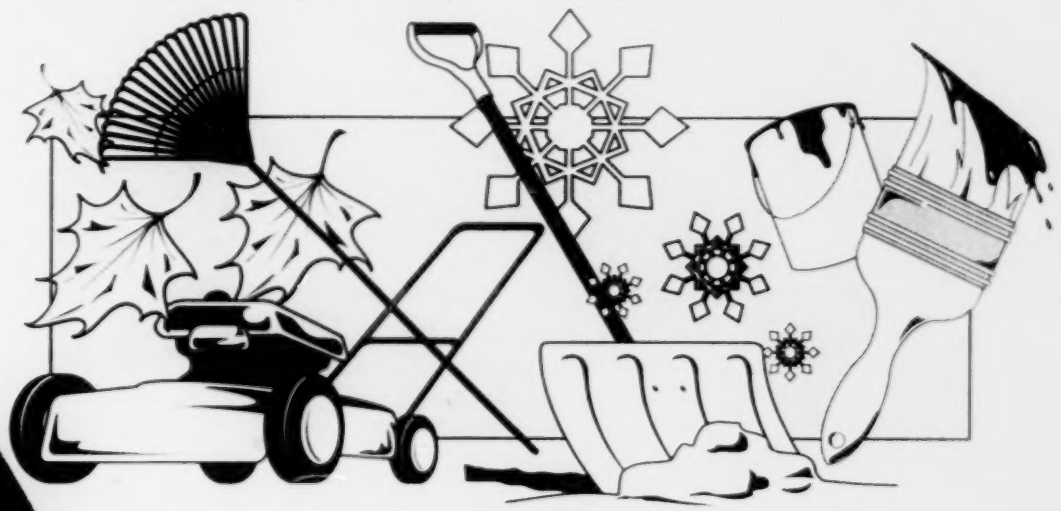
- Do I have a hobby or a skill that I really enjoy? Maybe you collect baseball cards, braid friendship bracelets, decorate T-shirts, or cook fancy desserts. These interests and many others can be turned into businesses.

- Is there a need in my neighborhood? Are there a lot of small children who need care on Saturdays or in the early evening? Could you run errands for elderly people or clean up vacant lots? How about helping clean, fix, or paint houses or apartments? Do people on your block need cars washed or lawns tended? How about washing windows, watering plants, or wrapping gifts?

- Do I have the money I need to get started? How much money do I need to make for my business to be worthwhile? Figure out how much money you will need to buy the supplies and tools for your business. Don't plan to use your family's flour to bake cookies unless you plan to share the profits!

- How will I let people know about my business? A recommendation from a satisfied customer is the best form of advertising, but it's not always reliable. Think about making a sign or a flier. (Remember, it is illegal to place fliers in mailboxes.)

Start small and don't be discouraged. If you have a product people want, they will find you. On the other hand, don't be afraid to try a new idea if the first one isn't working. The most successful entrepreneurs learn from their mistakes and keep on trying.



page 6

business plan

Have you ever thought about starting your own business? You might be too young to work for a big company, but you're never too young to start a business. Think of a good or service you could provide and answer the questions below. You're on your way to writing a business plan!

Describe your idea for a good or service. What makes it special? _____

_____

_____

Who will be interested in buying your good or service? Why? This is your market. _____

_____

_____

How will you get the money you need to start your business? _____

_____

_____

What capital equipment or machinery will you need? _____

_____

_____

What materials will you need? _____

_____

_____

What kinds of managers and workers will you need? How many workers will be needed and what sorts of skills should they have? These are your human resources.

_____

_____

Will your production strategy be unusual or special? Explain why or why not. How will you guarantee your product's quality?

_____

_____

How will you let your customers know your good or service is available? Will you need a plan for delivering your product? This is your marketing plan.

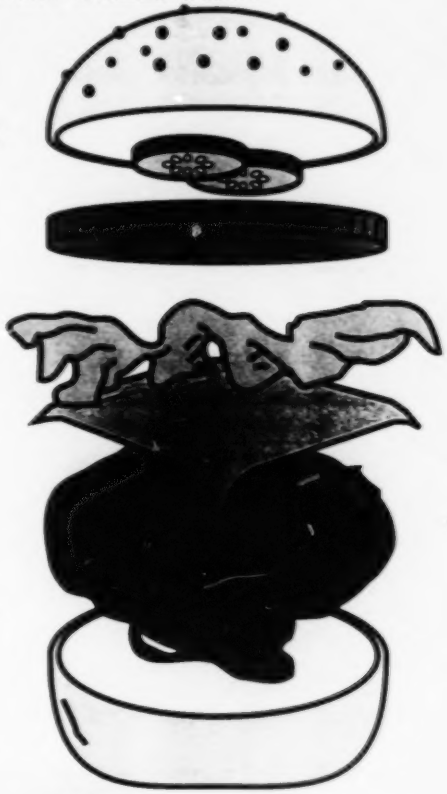
_____

_____

If all goes well, you'll make a profit!

burger breakdown

There is much more to a typical hamburger than meat and a bun, and every ingredient—whether you can eat it or not—has a cost. Make your best guess! What does each item cost Burger Bonanza? Then give your best estimate of the profit Burger Bonanza makes on each "Bonanza" it sells:



Cost Breakdown of a "Bonanza Burger"

Selling price	*$1.45*
A. Raw materials (bun, meat, etc.) and packaging	____
B. Labor (management and crew) and payroll taxes	____
C. Advertising and promotion	____
D. Utilities	____
E. Equipment maintenance	____
F. Miscellaneous expense (office supplies, trash removal, etc.)	____
G. Rent and fees to Burger Bonanza Corporation	____
H. Insurance and license fees	____
Total expenses (A through H)	____
I. Income before taxes *(selling price - total expenses)*	____
J. Corporate federal income tax *(34% x income before taxes)*	____
Net profit (I - J)	____

BRAIN STRAINER

As you can see, businesses have a lot of different costs. Burger Bonanza must pay for buns, lettuce, and electricity as well as insurance and grills. Some of these costs are called fixed costs; others are called variable costs.

Fixed costs remain the same day in and day out, no matter how many burgers the restaurant sells. Variable costs increase or decrease with the number of hamburgers Burger Bonanza sells.

Which of Burger Bonanza's expenses are fixed costs?
Which of Burger Bonanza's expenses are variable costs?
Should the owner of Burger Bonanza be concerned if his or her variable costs are increasing?
Why or why not?

Did you know?

The Burger Bonanza in this exercise made a profit of about 7 percent of sales. Is this unusual? Not really! Here are average profits for several major industries in the United States:

Food products	4.1 %
Clothing	5.1 %
Paper	3.8 %
Oil and coal	5.7 %
Rubber and plastic	3.7 %
Furniture	2.7 %
Lumber	3.8 %

Source: *Statistical Abstract of the United States, 1994*

teresa's Ts

Part I—Sole Proprietorships

Teresa was everyone's friend. Whenever she came to visit, she brought things she had made for all the children in the family. Sometimes she brought her special pecan cookies and chocolate fudge. And sometimes she brought T-shirts she had decorated.

Everyone said that Teresa's T-shirts were so colorful and unusual that she could make a fortune selling them. Teresa laughed. "It's fun to make the shirts for friends, but I don't want to spend all of my time decorating T-shirts. Anyway, who would buy them?"

But the more she thought about the idea, the more exciting it sounded, and she began to explore the idea of starting a business.

She learned that she could rent a booth at the local flea market for $400 each month.

A wholesaler in town agreed to sell her high-quality T-shirts for about $5 each. He would even let her pay for the shirts 30 days after delivery.

She also knew she would need to buy extra art supplies, a display case, a cash box, some clothing racks, and coat hangers. These would be expensive—about $1,000.

Teresa went to a bank to ask for a loan. But the banker agreed only to let her open a business checking account. Teresa had no business experience, and the bank didn't want to lend her the money she needed.

Being turned down by the bank was frustrating, but she was becoming more and more determined to start a business. She dipped into her savings for the money she needed to rent a flea market stall. . . .

Part II—Partnerships

One day Teresa discussed her success with her cousin Joe. "Business is great, Joe. I can hardly make T-shirts fast enough. I wish I had enough money to rent a shop downtown. I'm sure I could teach others to decorate T-shirts, and I could sell a lot more."

"And make more profit," Joe added. He thought for a moment, then said, "I've got some money saved up. How about using it to rent a small shop? We could be partners. You know, work the business together and split the profits."

"Sounds good to me," Teresa agreed, "and if business keeps going the way it has, we might even be able to hire one or two others to help us."

They rented a small store downtown, and business boomed. Teresa and Joe hired helpers and taught them to decorate T-shirts.

Part III—Corporations

One day they were discussing the business with their friend Tim. Tim was an accountant, and he knew a lot about business.

Tim explained, "People form sole proprietorships because they like the idea of owning their own businesses. All decisions are theirs to make. And, if the operations are successful, the sole proprietors get to keep all of the profits."

Tim said, "Today, your business is a partnership. Partnerships have the same kinds of drawbacks as sole proprietorships. If I were you, I'd think about forming a corporation. Of course, you should talk to a lawyer about it first, but there are good reasons to incorporate and sell stock."

"You two are going places. I'll bet your T-shirt designs would sell all over the country!"

"Slow down," Joe interrupted. "Take it from the top. Why don't you start by telling us what you mean by incorporating and selling stock?"

Tim continued, "A corporation is more complicated. It is chartered by a state government and owned by 'stockholders.' Stockholders invest in a corporation in return for a 'share' of the profits. Some corporations such as General Motors and Exxon have thousands of stockholders. But corporations can be small, with only three or four stockholders."

"Corporations cost more to organize. They also pay more taxes than other businesses. Only about 20 percent of all businesses are corporations. But the largest businesses in the United States are corporations. Corporations have several advantages." Tim listed them.

> Investors in corporations have limited liability. The money stockholders might lose is limited to the amount they paid for their stock. The risk of operating the business is shared among the stockholders.

> Corporations have unlimited life. When corporate stockholders die, their shares of stock are inherited by their heirs. Meanwhile, the corporations are free to conduct business as usual.

> And most important, limited liability and unlimited life make it possible for large numbers of people to invest in corporations, and for corporations to raise large sums of money for expansion.

Teresa and Joe thought about Tim's advice. What do you think they should do?

	The proprietor (Teresa)	The partners (Teresa and Joe)	The stockholders
1. Who are the owners?			
2. Who provides the money to start operations?			
3. Who makes the important business decisions?			
4. Who gets the profits?			
5. Who is responsible if the business loses money?			
6. What is the "life span" of the business?			

There are over 20 million businesses in the United States. About 15 million are sole proprietorships (70 percent). About 4 million are corporations (20 percent), and the rest are partnerships (10 percent). But most large companies are corporations. Each year sole proprietors sell goods and services worth over $700 billion, but corporations sell goods and services worth more than $11,000 billion. That's almost 16 times as much!

What are some important corporations in your community? Do you shop at any sole proprietorships? Does it matter to consumers if a business is a sole proprietorship, partnership, or corporation?

quality
for sale

Advertisements on TV let you know that at Ford, "Quality Is Job One." Why is quality so important to Ford, and what do you think Ford means by quality?

To help answer the question, think about the features of the products you buy. What makes a CD player, hamburger, T-shirt, or athletic shoes a high-quality product?

Pick a product you would like to buy and list the features or characteristics you would look for.

PRODUCT: _____

Features/Characteristics: _____

_____

_____

_____

How many of the characteristics below did you think of? Can you think of others?

Performance. How smoothly does a car ride? Is the sound from the stereo system clear and sharp? Is the computer screen easy to read? Does the candy taste good? Does the product meet your expectations?

Features. Can you order your burger with or without mayonnaise? Can you adjust the bass and treble on the CD player? Do air cushions make your shoes more comfortable?

Appearance. Is the sweater in style and attractive? Do you look and feel good when you wear it? Do the colors and design catch your eye?

Reliability. Is the mountain bike dependable? Does it keep performing as expected for a reasonable period of time? Does the car start every morning? How often do you take it to the shop for repairs?

Service. If the computer breaks down, is it easy to fix? Are parts available? Does the company have a "hotline" to answer questions?

Ensuring product quality requires careful planning and hard work, but it pays off. When customers receive the quality they expect, they will keep coming back for more.

BRAIN STRAINER

What famous candy melts in your mouth, but not in your hands? That's right, M&Ms. M&Ms are made by Mars Inc., one of the largest and most successful candy manufacturers in the world. The employees of Mars Inc. are very concerned about the quality of their product.

- ▲ Buy several small bags of M&Ms.
- ▲ Open each bag. Be careful not to mix the M&Ms from one bag with those from another. Be careful not to eat any either!
- ▲ Count the number of M&Ms in each bag. Write down your answer. Did each bag contain the same number of candies? If not, how great was the difference between the largest number of M&Ms and the smallest? How important is it for each bag to have exactly the same number of candies?
- ▲ Sort and count the number of different colored candies in each bag. Make a chart so you can compare the number of each color. Is there a pattern? Do some bags, for example, have more tans or yellows than others? Do you think that Mars is concerned about the mix of colors in a bag? Why or why not?
- ▲ Try to design a process for "reassembling" the bags with the right number of M&Ms of each color.

Of course, Mars is concerned that their candies taste good, and it wants the M&Ms you buy to melt in your mouth, not in your hands. But it also is concerned that each package contains the correct number of candies in the right mix of colors. This type of attention to detail in making candy, CD players, hamburgers, and space shuttles results in quality.

To make high-quality products, do businesses need top-quality employees?

What are the characteristics of top-quality employees? What will you need to do to prove that you can be a top-quality employee?

supply and demand

If you read the sports pages of your newspaper, or even if you don't, you probably know that Shaquille O'Neal, Roger Clemens, and Steve Young and many other sports stars make millions of dollars each year. In many cases, these stars earn thousands of dollars for playing a single game!

Sports stars aren't the only people who earn big paychecks. In 1994, *Forbes* magazine estimated the earnings of some of your favorite celebrities: Bill Cosby made $30 million from his new show, Steven Spielberg earned $165 million from his most recent movies, and Michael Jackson earned $15 million from his song catalog alone. Harrison Ford made $44 million over two years for his roles in *The Fugitive* and *Clear and Present Danger*. The Rolling Stones and Pink Floyd both earned more than $100 million in 1993.

But you don't need to sing, dance, or act to earn a huge paycheck. Cartoonist Charles Schulz (*Peanuts*) earns millions each year, and novelists Tom Clancy and John Grisham each earned more than $6 million from their latest books. WOW!

Is this fair? Do these people really deserve so much money? What do you think?

Economists usually don't think about whether one person or another deserves a particular wage or salary, but they can explain why sports heroes or star performers earn such high salaries.

Economists use the laws of supply and demand to explain these salaries, the wages you could earn washing windows, recycling newspapers, or baby-sitting, and the prices of just about everything you and your family buy—from a used car to a slice of pizza.

The law of demand says that consumers will buy more of a product at low prices than at high prices. Economists usually use a graph to illustrate the quantity of a product consumers will buy at different prices.

Figure 1 shows a demand curve for popcorn on Saturday afternoon at a typical theater. It illustrates the number of boxes of popcorn movie goers are willing to buy at different prices. For example, at a high price you and a friend might buy one box and share it. At a low price you might not share, or you might be willing to buy a second box.

The law of demand only explains half the pricing puzzle. The law of supply explains the other half. It says that producers will offer more products for sale at high prices than at low prices. (This idea is hard to understand because it is easier to think like a consumer. So think of it this way: Wouldn't you rather sell 50 T-shirts for $20 than 50 for $10?) Producers want to cover the costs of production—rent, wages and salaries, materials, interest payments—and make a profit. The more they can sell at a high price, the better.

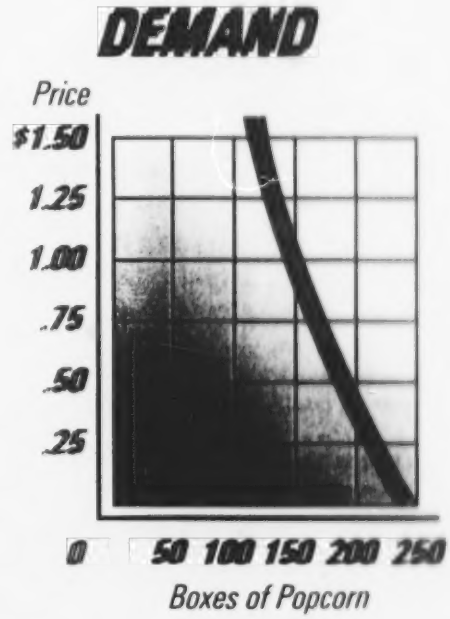


Figure 1

Figure 2 shows that if the theater manager knew customers would pay only 25 cents for a box of popcorn, she wouldn't spend her time and energy popping corn. On the other hand, if she knew her customers would pay $1.50 for each box, she would be willing to offer about 180 for sale.

Figure 2

Producers try to balance the quantity of goods or services they supply with the quantity they think consumers will buy. They do this by charging a price consumers will pay. Economists call the price at which consumers will purchase all the goods that producers will supply the *market clearing price*. When a supplier produces more than consumers will buy, there is a surplus and it may have a sale. But don't expect a sale price for a product stores can't keep on their shelves.

Figure 3 combines the supply and demand curves for popcorn. It shows you the market clearing price. Suppliers have nothing to gain by producing more than 150 boxes of popcorn; if they plan to sell it for more than $1.00, they won't have many buyers.

Finally, as you can guess, the supply of and demand for products are constantly changing. Styles, seasons, technology, and economic conditions produce changes or "shifts" in supply and demand that result in new market clearing prices. This is where Bill Cosby and the other celebrities come in.

Can you use the laws of supply and demand to figure out why they are paid such high salaries?

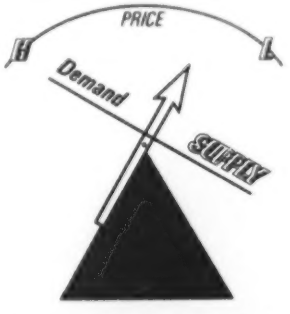
The supply, or number of extremely talented athletes, singers, and comedians, is extremely small. The demand for watching them perform is extremely high. In general, products that are "scarce," such as Leonardo DaVinci's paintings and Honus Wagner baseball cards, also are very valuable. People are willing to pay a high price for scarce items that they want very much.

You, too, are sometimes willing to pay more for an item you really want. For example, when your favorite rock group has a new CD, you'll rush out and buy it—whatever the price. But in a few years its music might not be in demand—even at low prices.

Figure 3

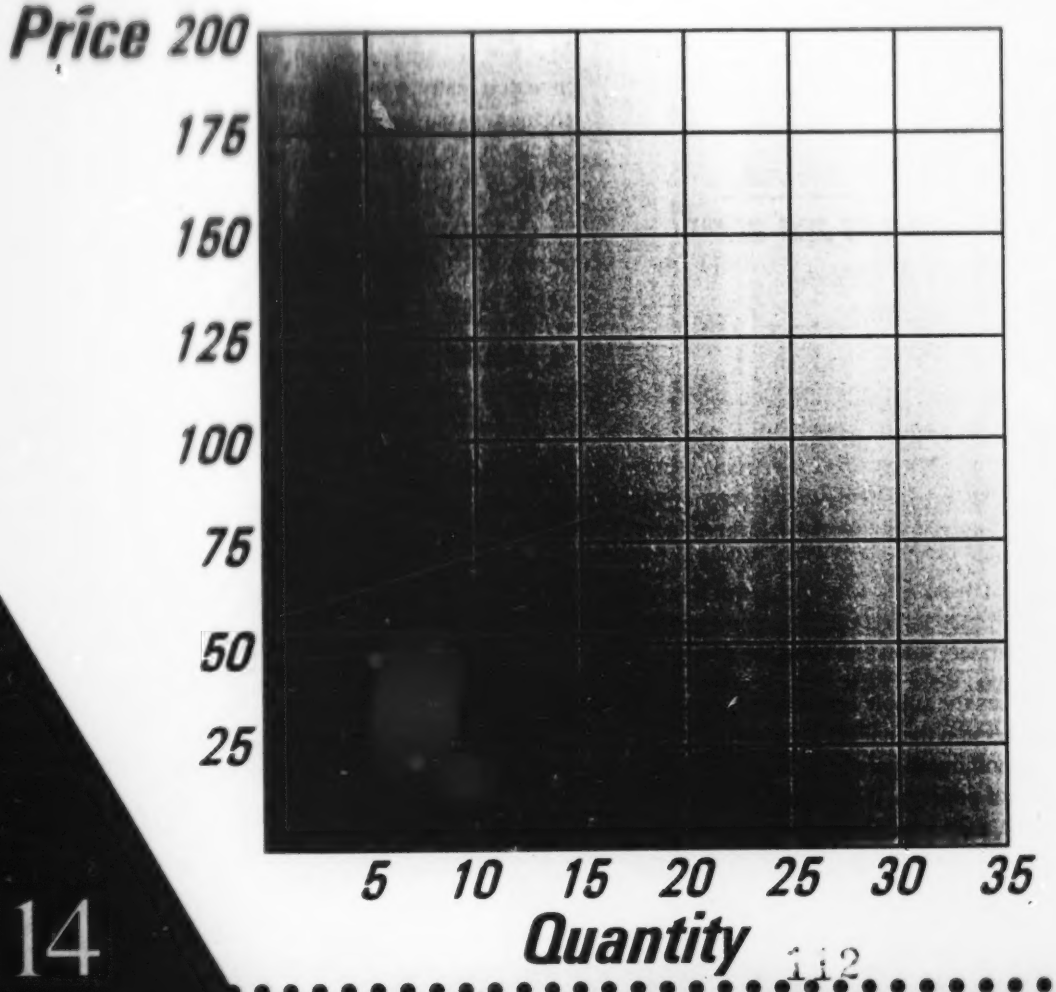
The diagrams below summarize what happens in different situations. Use them to help solve the problems in supply and demand on the next page.

A large quantity demanded when a small quantity is supplied produces high prices.



A small quantity demanded when a large quantity is supplied produces low prices.

When the quantity supplied equals the quantity demanded the market will clear.



problems in supply and demand

Read about the situations below and predict changes in price or the quantity consumers will demand.

1. A freeze in Florida damaged this year's orange crop and prices increased. How did the quantity of oranges that consumers demand change?

2. Everyone seems to want CDs these days, so Sweet Sounds Audio Shop had a sale on its tapes. What happened to the number of tapes Sweet Sounds sells?

3. Chicken is in great demand and chicken producers doubled their price. What happened to the quantity of hamburger people decided to buy?

Read the situations and predict changes in price or the quantity suppliers will produce.

1. As offices and schools buy more and more desktop computers, what will happen to the number of typewriter repair shops? What will happen to the price of their services?

2. Environmentally concerned consumers are willing to pay more for an electric car. What will happen to the number of electric cars produced?

3. Consumers seem willing to pay twice as much for chicken as they did last year. What will chicken farmers do?

Read the situations and predict changes in supply, demand, and price.

1. It's an early spring and the demand for swimsuits soars. What will happen to both the supply and price of swimsuits?

2. What happens to the demand for, supply of, and price of wrapping paper in the week after Christmas?

3. High-tech athletic shoes are stylish and in demand, but producers have manufactured more than consumers want to buy. What will happen to price and supply?

4. Bell bottoms become popular again. What will happen to the supply of, demand for, and price of these pants?

5. Since eggs are high in cholesterol, producers cut prices to sell more. What happens to the demand for bacon?

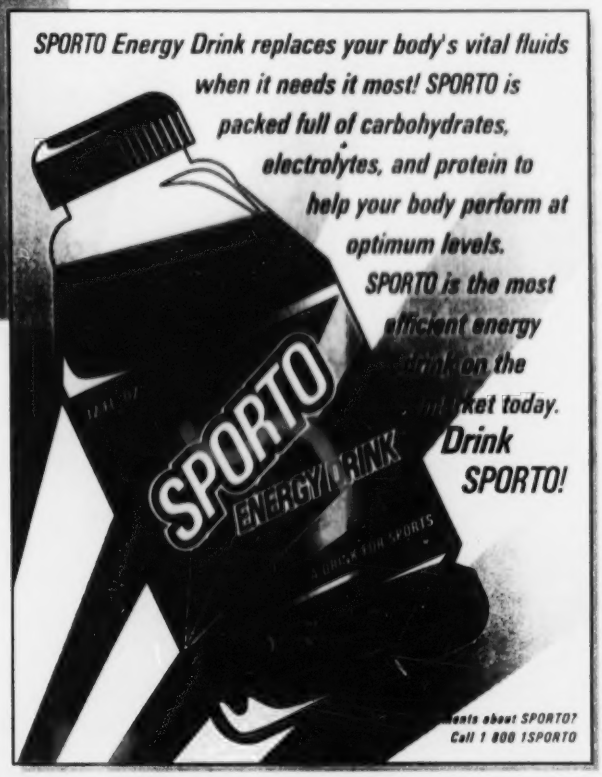
6. An insect pest destroys 30 percent of this year's cotton crop. What happens to the price of cotton shirts and the demand for polyester shirts?

7. New production techniques make home video equipment and games much more affordable. What will happen to the demand for video arcades?

8. Times are tough and many people are unemployed. How will fast food restaurants be affected?

advertisements

Instructions
Read these ads and answer the questions. For further help, see Teresa's Marketing Plan on page 18.


SPORTO Energy Drink replaces your body's vital fluids when it needs it most! SPORTO is packed full of carbohydrates, electrolytes, and protein to help your body perform at optimum levels. SPORTO is the most efficient energy drink on the market today.
Drink SPORTO!
SPORTO
ENERGY DRINK
Call 1 800 1SPORTO

▲ Who is the intended audience? _____

▲ What is the message? Does the ad appeal to your *emotions* or to *reason*? Explain: _____

_____

_____

_____

aqua dent
GUM
stick it to cavities!
Independent studies show that when chewed after meals, aquadent gum dramatically reduces acid and bacteria build up in your mouth.

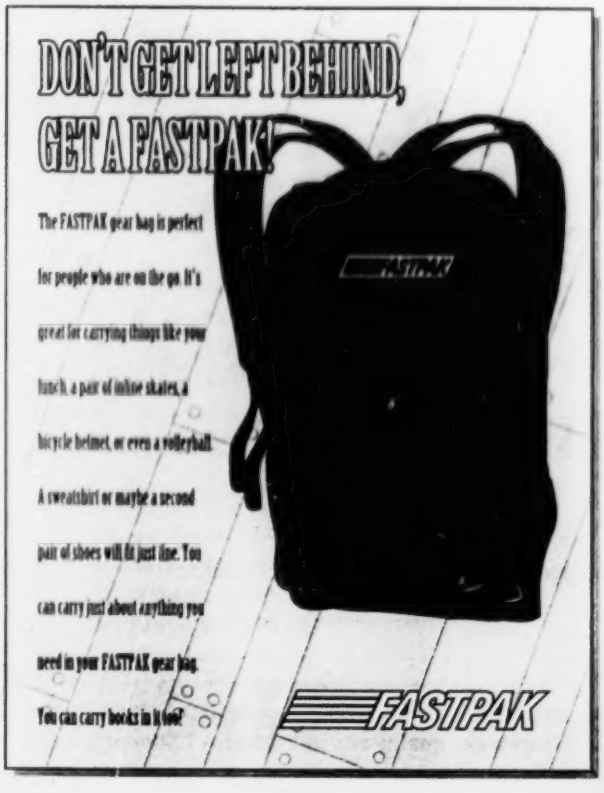
▲ Who is the intended audience? _____

▲ What is the message? Does the ad appeal to your *emotions* or to *reason*? Explain: _____

_____

_____

_____


DON'T GET LEFT BEHIND,
GET A FASTPAK!
The FASTPAK gear bag is perfect for people who are on the go. It's great for carrying things like your lunch, a pair of inline skates, a bicycle helmet, or even a volleyball. A sweatshirt or maybe a second pair of shoes will fit just fine. You can carry just about anything you need in your FASTPAK gear bag. You can carry books in it too!
FASTPAK

▲ Who is the intended audience? _____

▲ What is the message? Does the ad appeal to your *emotions* or to *reason*? Explain: _____

_____

_____

_____

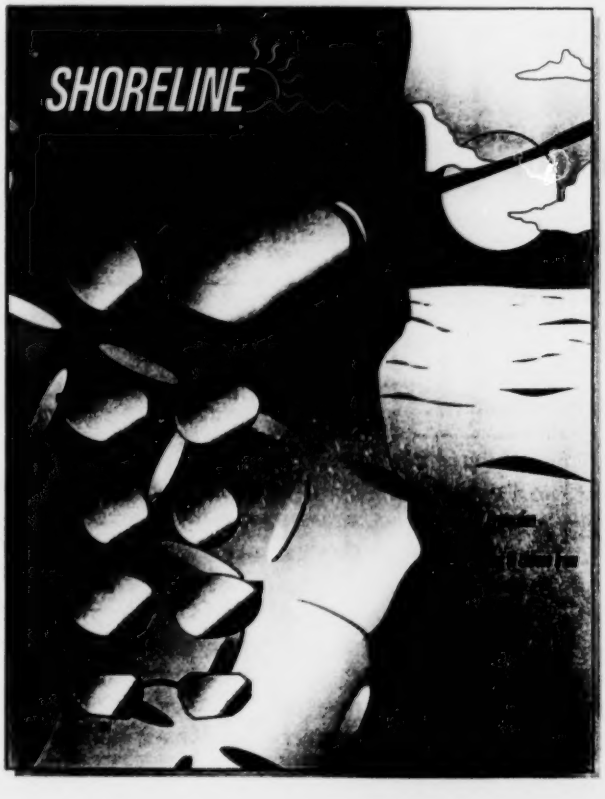
▲ Who is the intended audience? _____

▲ What is the message? Does the ad appeal to your *emotions* or to *reason*? Explain: _____

_____

_____

_____



teresa's marketing plan

Teresa is proud of her individually designed, hand-decorated T-shirts. Help Teresa develop a marketing plan by answering the following questions.

Should Teresa sell her T-shirts from her own shop or should she sell them through larger T-shirt retailers? Or both? Why or why not?

If Teresa decides to concentrate on operating her own shop, she will need to spend more time and money on advertising.

▲ Who should be the audience for her ads? Why? _____

▲ Where should she place her ads? Radio, TV, newspapers, fliers hung on doorknobs, signs, and billboards? Why? _____

_____

▲ Create a slogan to help people remember Teresa's Ts. Slogans are catchy phrases or jingles that stick in the mind. Examples: "It's the Real Thing," and "You deserve a break today!" Advertisers believe that these slogans, repeated often enough, do increase sales.

_____

_____

▲ What message should Teresa send to her customers? Will people who wear her T-shirts be more popular or have more fun? Should Teresa emphasize quality and individuality? Should the ads be serious or funny? Describe the message Teresa should emphasize.

_____

_____

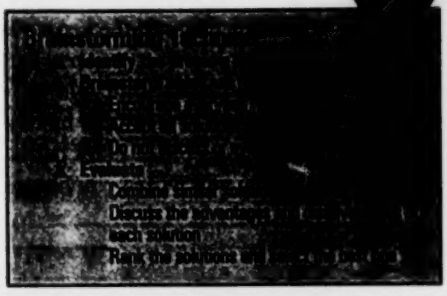
Design an advertisement. You can perform a TV or radio ad or design an ad for newspapers, fliers, or magazines. Use your imagination! To help you get started, read about these basic strategies.

APPEALS TO REASON –Advertisements that rely on information to convince the consumer. Examples: ads for fiber cereal, health foods, pain relievers, and some cars. These ads use statistics, scientific data, and technical terms.

APPEALS TO EMOTION –Advertisements that rely on emotion and psychology to persuade the consumer. Examples: *Testimonials*—endorsements by celebrities, sports stars, etc. (athletic shoes, public service); The *Bandwagon*—implies that everyone is using the product and you'll be left behind if you don't (soft drinks, cars); *Popularity*—suggests that simply by using the product you will have more friends or find romance (toothpaste, perfumes).

keeping the competitive edge

Surviving in business means staying ahead of the competition. But this doesn't always mean developing new and exciting products. Sometimes keeping the competitive edge involves training and managing employees, finding the best suppliers, and watching your utility bill. A good manager is a good problem solver. Read the problems below and suggest a solution to each one.



A. The manager at the local Burger Bonanza gets far too many complaints from customers that they are being short-changed. She also discovers that the cash in the register at the end of the day is often a little "short." The manager is not sure if the employees are careless, or if one of them is stealing from the company.

What can the manager do?

B. Customers complain that the employees are rude and inconsiderate, but when the manager is watching, they are on their best behavior.

How can the manager be sure the staff is always polite and courteous?

C. Employees at Burger Bonanza serve hundreds of meals each day. Delays are bound to happen, especially during the lunch hour. The manager suggested offering a free apple pie to customers who wait more than five minutes for their meals. The employees said they didn't want to pay attention to how long customers were waiting, and the cooks said they didn't like the pressure.

How can the employees work together to improve productivity and keep customers happy?

D. What can the manager do? The sales of burgers throughout town are suffering as more and more fast food restaurants serve fish, tacos, pizza, and chicken.

What do you recommend to bring customers back to Burger Bonanza?

E. Every time the store hires and trains new employees, they take their skills to other burger restaurants in town where they make more money. The manager spends too much time trying to overcome new employees' inefficiencies and mistakes.

What advice can you give the manager?

F. Burger Bonanza is busy at meal times, so many employees come in just to work during peak hours. It is very important for them to be on time. Recently, several employees have been arriving 15-30 minutes late each day. Other employees don't think this is fair.

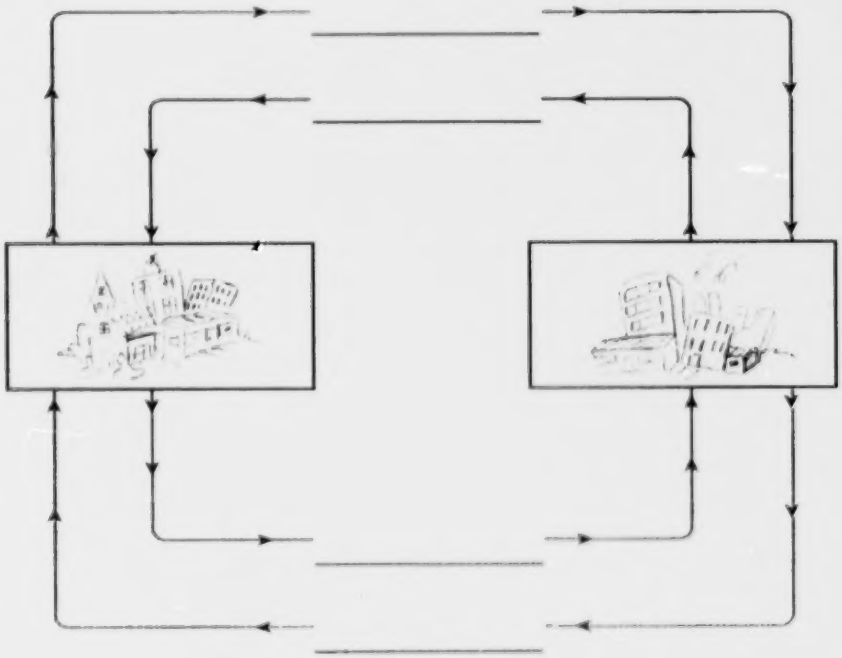
What can the manager do to be sure employees arrive on time and to help the staff develop better team spirit?

BEST COPY AVAILABLE

the circular flow
of money, goods, and services

When you spend your money on a slice of pizza and a soft drink, it starts a long journey through the economy. Some of it will go to other businesses to pay for the cheese, flour, and tomato sauce. Some will go to the government in taxes, and some of the money will be paid to the employees of the pizza parlor. Eventually, this money will wind up in homes just like yours, only to continue a similar journey when it is used to buy a new CD, some groceries, or school supplies.

The flow of money from households to businesses is only one of several important "streams" through the economy. With the help of your Enterprise in Action consultant, complete the diagram below to illustrate the links between businesses and households.



BRAIN STRAINER

Use what you have learned about the circular flow of goods, services, and money through the economy to answer these questions.

- Why is it big news when a new company comes to town and builds a new factory or office building?
- Why is it big news when a large business in your community closes?
- Why do cities compete to have a major league baseball team or professional football team?

business and social responsibility

What is a good citizen? Someone who votes in elections, gets involved in local political campaigns, or simply keeps up with current events? Good citizens often are involved in more than politics. Good citizens can volunteer at a community center, pick up trash in the neighborhood, or just be friendly and courteous to the people they see every day. What do you think?

Businesses can't vote or run for office. A business can't even read a newspaper! Can a business be a good citizen? What are a business's responsibilities to the community in which it operates? Can a business be a good citizen if it supports the local symphony but doesn't treat its customers or employees with respect?

Read the situations below and decide what a good "business citizen" would do.

1 Your company has been asked by a local neighborhood group to fund a recreational gang-prevention program. Many of your employees live in the neighborhood. Full funding will cut into your company's profits. What is your company's responsibility to your community? To your shareholders?

2 Your company manufactures toys for children ages 7 and older. Recently several infants have choked on parts that come with one of your most profitable "action figures." Should you recall the toy, advertise warnings about it in newspapers and on TV, quietly develop a better product, or stop making it altogether? What is your responsibility to consumers? To your shareholders?

3 A manager of one of your company's fast food restaurants has been able to save money and increase profits by employing junior high students. They work short hours, so the manager does not need to pay minimum wage or provide the benefits full-time workers expect. Should the manager be allowed to continue?

4 Management advises you that your factory can double the number of bicycles it makes and save money by replacing 200 workers with new automated equipment. How do you decide whom to lay off? What is your responsibility to these workers? To your shareholders?

5 When times were good, your oil company established a free day-care program for your employees. Now, with oil prices down, your finance department recommends you end the program. Your employees say they will look for new jobs if the day-care program ends. What is your responsibility to your employees? To your shareholders?

6 Like most hospitals, yours produces hazardous waste materials. You contracted with the lowest bidder to dispose of the materials. But recently you learned that the company is not following strict government guidelines for hazardous waste disposal. So far there have been no accidents and government authorities are unaware of the problem. What are your responsibilities?

7 Water Department inspectors have just concluded that pollution accidently released from your factory has contaminated the town's water supply. Clean-up will be costly. Your maintenance department is not certain that your company is the source of the pollution. What is your responsibility to your community? To your shareholders?

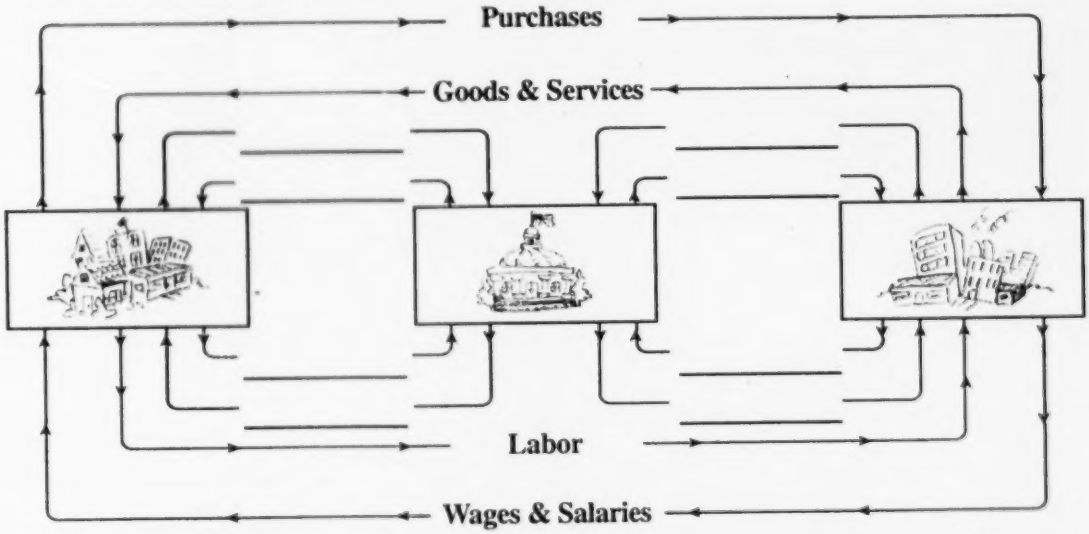
8 A group of environmental activists is critical of your choice of product packaging. It is inexpensive, safe, and attractive, but difficult to recycle. Changing the packaging will require your company to research and design alternatives, and it may require buying expensive new equipment. However, once the changes are made, a new recyclable package should not cost much more to produce. What are your responsibilities?

the circular flow
one more time around!

Earlier you learned how consumers, like you and your friends, give money to businesses in return for goods or services. And businesses pay employees wages and salaries in return for their labor. Employees, of course, are consumers who spend their wages at other businesses. In this way money flows through the economy from consumers to businesses and back again to consumers.

This explanation of the flow of money through our economy ignores a very large and important part of our economic system—government. Most Americans pay more than 25 percent of their incomes in taxes. This means that they are working at least three months of each year just to pay taxes they owe on income, property, and purchases (sales taxes).

What happens to the money people pay in taxes to national, state, and local governments? Follow along with your consultant and fill in the blanks in the diagram below.



As you can see, the dollars you, your family, and businesses pay to governments in taxes provide the money needed for important government goods like highways, schools, and sewer systems. Taxes also pay for services like national defense and medical care for the elderly. But this is not the end of the story. Thousands of people throughout the nation work for local, state, or national government agencies. The wages and salaries they receive return to consumers to spend with local businesses and return to government.

Whether you spend your money for CDs or pay it in taxes, it flows through the economy.

BRAIN STRAINER

To save money, military bases in communities throughout the United States are being closed. This may help reduce federal government spending and taxes. Why are the people of a community often upset when a local military base is forced to shut its doors?

Use the circular flow diagram above to help answer this question.

issues at eigentown

Eigentown is a pleasant community not too far from where you live. Its citizens, like those in most communities, want safe streets, good roads, and fine schools. But the people of Eigentown don't want to waste their tax dollars, so they are always arguing about the city government's budget. Here are some of the comments you would get if you took a survey to see what people of Eigentown are thinking.

"Helping local businesses grow is important. When businesses are growing, the city gets more tax money and everyone benefits."

"Police and fire protection, safe streets, and a clean downtown area are what's important. Concerts and museums are expensive luxuries."

"Clean air, clean streets, parks, libraries, and cultural events like plays and concerts make Eigentown a special place to live."

"NO NEW TAXES!!!"

"City government is too big and too expensive. If private businesses can do the job, the town shouldn't."

"Efficient city services are a must. If we can't do things right—like plow the town's streets and clear the weeds—we'd better hire someone who can."

"Eigentown is a pleasant place to live, but it will die if new businesses don't move in."

That's what the people think. Following are some of the issues facing the city council. What should the council do? You decide!

1 The switchboard at Town Hall lit up last week after the year's first big snowfall. Most calls went something like this: "I am sick and tired of the way we do some things here. Just think of it—we're the most advanced industrial nation on this earth. We land men on the moon. We communicate across the oceans via satellite. Yet every single year I find myself digging my car out of a three-foot-high snow bank created by town plows! Why don't you do something about it? I am sick and tired of this inconvenience!"

2 The expense of collecting trash is increasing each year, and if the town is going to continue providing trash collection services, rates will have to be raised. Many towns across the United States have private trash collection companies that collect the trash and bill their customers directly. The town government would save money if private companies collected the trash.

3 Calls complaining about litter and weeds along the main streets are increasing every day. The litter and weeds are ugly, and they discourage businesses and families from moving to Eigentown. Keeping the streets clean and clearing the weeds will require the Public Works Department to hire more workers and buy new equipment.

4 A developer thinks Eigentown would be a great place for a new shopping mall. However, she wants the Town Council to give her company a special, low tax rate in return for building in Eigentown. Local business people think that giving new competition a tax break would be unfair, but others think that a new mall would be good for everyone.

5 Eigentown has always been proud of its pioneer museum and community orchestra. However, many citizens argue that the museum and orchestra are expensive luxuries. If they can't support themselves through ticket sales and private fund-raising activities, perhaps they are not really so important!

measuring the economy's ups & downs

Have you ever been driving through the countryside, with no gas station in sight, watching the gas gauge slowly dip toward empty? It's a scary feeling. But would you rather do without a gas gauge? Probably not! The gauges on an automobile dashboard are extremely helpful. They tell the driver the amount of gas left in the gas tank, the distance traveled, and the condition of the engine and electrical system.

Unfortunately, mechanical gauges don't measure the performance of the economy. But economists have learned to use different economic indicators to describe how the economy is running.

Economists have discovered that the economy naturally goes through ups and downs over a period of time. They call this the business cycle. The cycle has four parts or phases. They are called (1) peak, (2) recession, (3) trough, and (4) expansion.

What Are Things Like During Each of the Phases of the Business Cycle?

During peak times, the economy does very well. People who want jobs can usually find them. Business profits are up, and consumers feel that this is a good time to spend money.

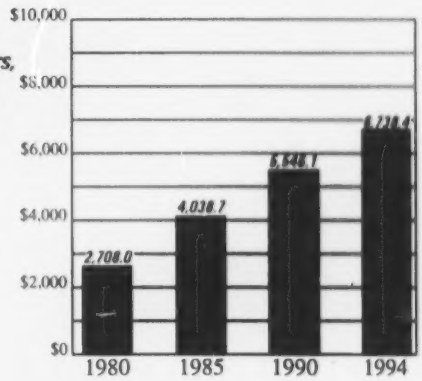
History shows that after a peak period the economy takes a downward turn into a recession. Sales begin to decline during a recession. When this happens, business firms produce or buy fewer things and lay off workers. As they do, their suppliers also produce less and lay off workers. Naturally those who lose their jobs spend less. In addition, other workers fear that they, too, might lose their jobs. Soon, consumers are spending less, and business declines even more.

Eventually, all recessions reach the trough, or bottom of the business cycle. When that happens, business firms stop laying off workers and begin to add to their inventories—supplies of things they sell. The increase in business activity feeds an expansion. Unemployment declines as additional workers are hired. This leads to more consumer spending, more production, more jobs, and the beginning of another round of the business cycle.

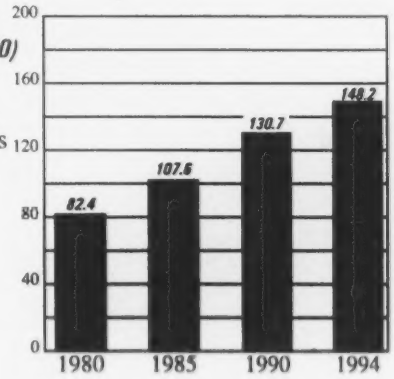
How Do We Know Where We Are in the Business Cycle?

Economic indicators tell us where we are in the business cycle. But you don't need to be an economist to watch the indicators. One or more of them are mentioned almost every day in the news reports we see on TV or read in the newspaper.

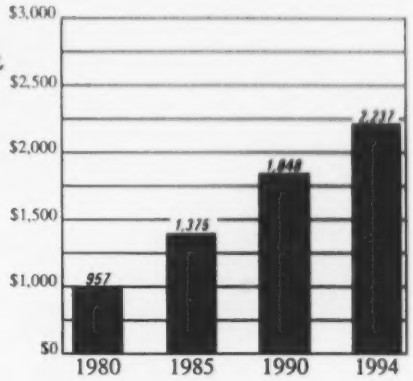
Following are a few indicators you may recognize. Study the graphs and answer the questions. Can you explain where we are in the business cycle?



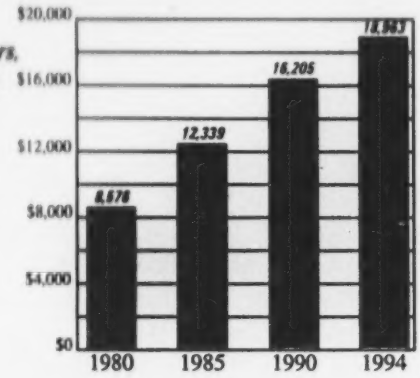
Gross Domestic Product (GDP) is the value of all goods and services produced by the economy in a single year. This is the total figure for consumer, business, and government spending. The difference between exports and imports (net exports) also is included.



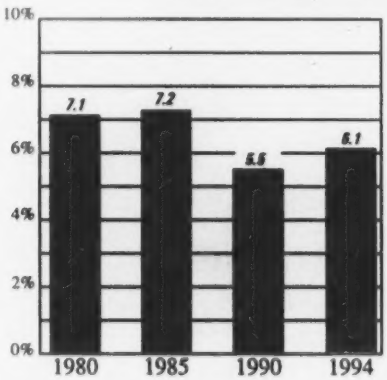
Consumer Price Index (CPI) compares today's prices for 400 goods and services to their prices in another year or "base period." The CPI is used to measure inflation.



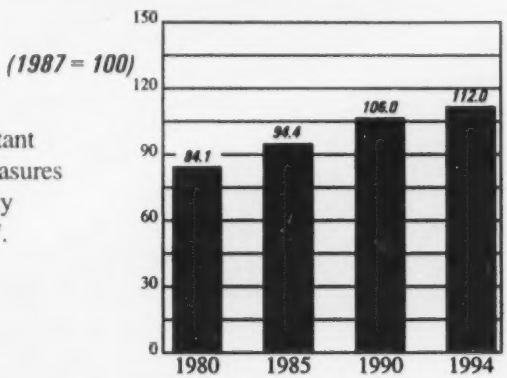
Retail Sales, a measure of consumer spending, reflects confidence in the future. When retail sales are growing, businesses are likely to build new factories, open new stores, and buy more equipment.



Disposable Personal Income measures how much money consumers have to spend after paying their taxes.



The Unemployment Rate, a basic measure of the economy's health, is the percentage of people willing to work but unable to find jobs.



The Industrial Production Index is an important indicator of general business conditions. It measures output in the mining, manufacturing, and utility industries and compares it with output in 1987.

Source: *Statistical Abstract of the United States, 1995.*

Discussion Questions

1. What is the Gross Domestic Product, and how did it change from 1980 to 1994?

2. Does the change in GDP mean the economy is growing?

3. What happened to other indicators between 1980 and 1994?

4. Did the economy really grow between 1980 and 1994?

glossary

asset: Something of value owned by people or businesses.

balance sheet: Financial statement that summarizes a company's assets, liabilities, and net worth.

bandwagon: Advertising strategy in which people are urged to buy a product because "everybody's doing it."

bond: Certificate representing a long-term debt of a government or corporation.

budget: Plan for saving and spending income. A budget is balanced when expenditures exactly equal income.

business cycle: Periodic fluctuation in the economy characterized by alternate expansion and recession.

capital: Something created to produce other goods and services; also money that will be used to pay for the operations of a business.

common stock: Most basic form of stock ownership. The holder of common stock has a right to a share of the company's earnings, a voice in management, a claim on assets, and permanent ownership.

competition: Rivalry among businesses to outsell one another.

consumer: User of goods or services.

consumer price index (CPI): Measure of the average price of goods and services purchased by households.

consumption: Total spent to purchase goods. Also, the using up of a product or service.

corporation: Business organization chartered by the state, owned by one or more stockholders, and authorized to act as a private individual.

customer: A person who purchases goods or services from a business.

demand: The willingness and ability to buy a product or service at a particular price.

distribution: Process of conveying goods and services from the producer to the market.

dividend: That part of corporate profits distributed to stockholders.

economics: The study of how people allocate limited resources to satisfy needs and wants.

economic indicators: Statistical measurements of the state of the economy.

economic system: Describes the way a nation produces and distributes goods and services.

entrepreneur: Person who creates a business in the hope of earning a profit.

factors of production: Natural, human, capital, and entrepreneurial resources used in production of goods and services. Also known as land, labor, capital, and management.

fiscal policy: Use of the government's power to tax and spend as a way regulating the economy.

fixed expenses: Costs that remain constant regardless of the amount of business done by a company. Also known as overhead.

goods: Items of value that are tangible (capable of being seen or touched).

gross domestic product (GDP): The total value of the goods and services produced by the economy.

income: Earnings.

income statement: Financial statement summarizing receipts, expenses, and profit or loss.

inflation: A period of generally rising prices.

innovation: The introduction of something new in the production or distribution of goods and services.

interest: Payment for the use of someone else's money. Usually expressed as an annual rate in terms of a percent of the principal (amount loaned).

investment: In economics, spending for new capital, such as factories and machines. In general usage, investment refers to savings that are set aside to earn money.

liability: Money owed by individuals or firms.

limited liability: The feature that prevents stockholders from being liable for the debts of their corporation.

management: People responsible for the organization, control, and operation of an enterprise.

market: Place where buyers and sellers come together.

market clearing price: Price at which the quantity of goods offered for sale exactly equals the quantity that buyers are willing to buy.

market economy: Economic system in which the interaction of supply and demand determines how goods and services are produced and distributed.

marketing: Business activities that take place between production and consumption (includes buying, grading, packaging, storing, and financing).

monetary policy: Use of the government's power to control the money supply as a way of regulating the ups and downs of the economy.

money: Anything generally accepted in payment for goods and services. A medium of exchange.

monopoly: Market in which there is but one seller of a product.

mortgage: Long-term loan, usually used to finance a building.

net exports: Difference between the value of a nation's exports and its imports.

net profit: Amount received from sales minus all business expenses and taxes.

glossary

net worth: Difference between the assets and liabilities of a business or individual.

opportunity costs: The cost of something expressed in terms of what had to be given up in order to obtain it.

partnership: Business owned by two or more individuals.

preferred stock: Stock also representing ownership of a company. If the corporation were to close, the owner of preferred stock would receive his or her share before the owner of common stock.

private property: Land, buildings, or goods owned by individual citizens. It also can include intellectual property such as the words to a song, a computer program, or the plans for a new invention.

production: The process of transforming resources into goods or services.

productivity: Output per unit of input.

profit: A company's earnings after it has paid all expenses.

purchasing power: Value of money measured in terms of what one can buy with it.

recession: A period of economic decline. Recessions are usually accompanied by rising unemployment and reduced spending.

rent: In economics, payment for the use of land.

retained earnings: Profits, after taxes and dividends, to be put back into the company's operations.

securities: Commonly refers to stocks and bonds.

services: Work done that has value, such as dry cleaning, car repair, dental care, and entertainment.

sole proprietorship: A business owned by one person.

specialization: Concentrating on the production of those goods and services at which one is most efficient.

standard of living: A quality of life people enjoy based on the kind and quantity of material goods they own.

stock: Certificate representing part ownership of a corporation.

subsidy: Financial assistance by the government to certain groups in the economy.

supply: The quantity of items offered for sale at a particular price and time.

tariff: A tax on imports.

tax: Compulsory payment to government. One that takes a larger percentage of a higher income and a smaller percentage of a lower income is called progressive. One that takes a higher percentage of a low income and a lower percentage of a high income is called regressive.

unemployment rate: Percentage of the labor force that is unable to find work.

unlimited life: A feature of the corporate form of business organization which enables it to continue to function even after the death of its stockholders.

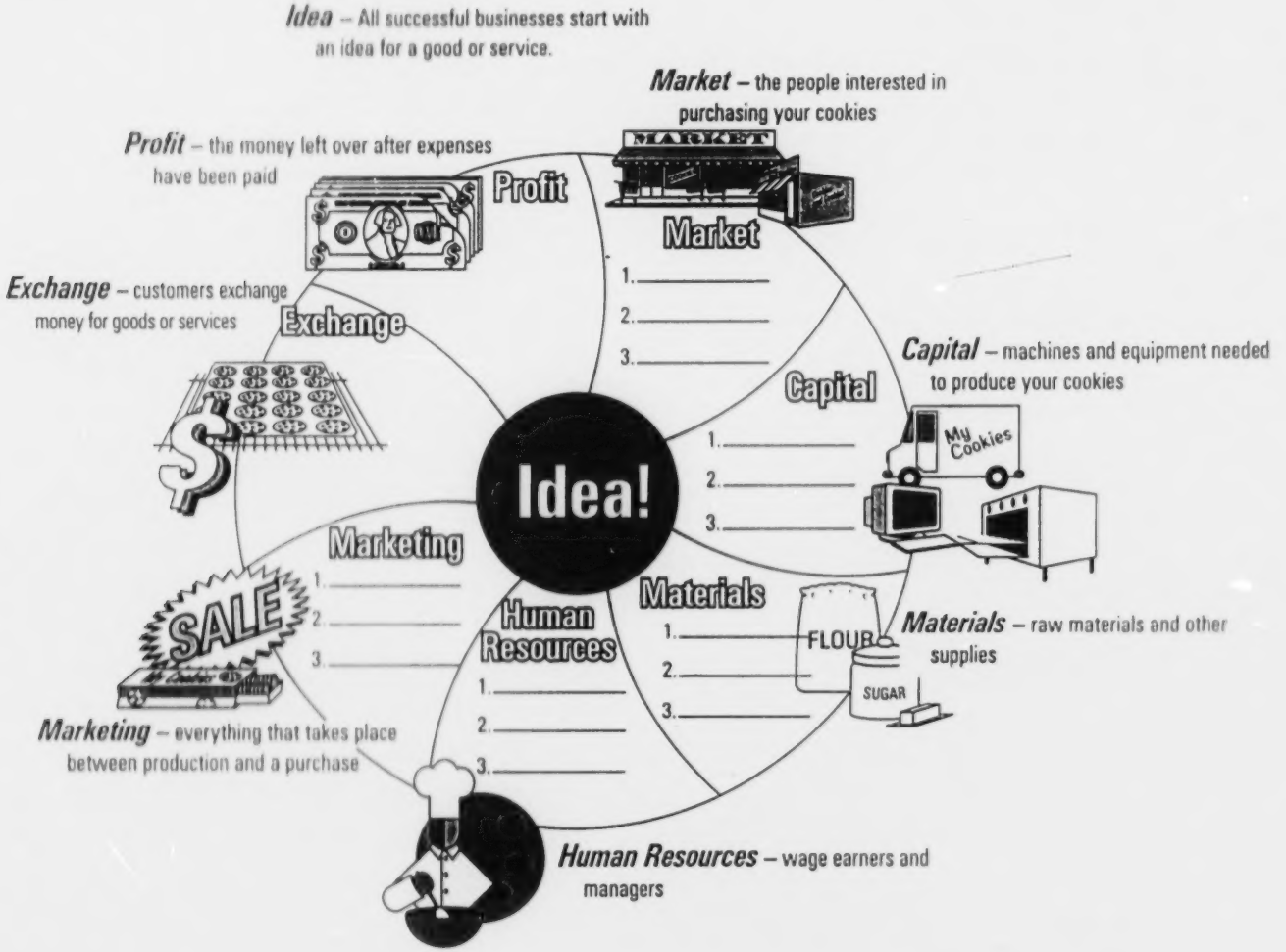
variable expense: Expenses that increase and decrease with the volume of business.

wages: Payment for the use of labor.

wealth: The total value of the things one owns.

yield: The return on an investment expressed as a percent.

Wheel of Enterprise



Junior Achievement®

© 1995 Junior Achievement Inc., MC2033-95

Burger Breakdown

Cost Breakdown of a "Bonanza Burger"

Selling price	***$1.45***
A. Raw Materials (bun, meat, etc.) and packaging	_____
B. Labor (management and crew) and payroll taxes	_____
C. Advertising and promotion	_____
D. Utilities	_____
E. Equipment maintenance	_____
F. Miscellaneous expense (office supplies, trash removal, etc.)	_____
G. Rent and fees to Burger Bonanza Corporation	_____
H. Insurance and license fees	_____
Total expenses (A through H)	_____
I. Income before taxes *(selling price - total expenses)*	_____
J. Corporate federal income tax *(34% x income before taxes)*	_____
Net profit (I - J)	_____

Junior Achievement®

© 1995 Junior Achievement Inc., MC2033-95

Business Organizations

	Sole Proprietorships	*Partnerships*	*Corporations*
1. Who are the owners?	The proprietor (Teresa)	The partners (Teresa and Joe)	The stockholders
2. Who provides the money to start operations?			
3. Who makes the important business decisions?			
4. Who gets the profits?			
5. Who is responsible if the business loses money?			
6. What is the "life span" of the business?			

Junior Achievement®

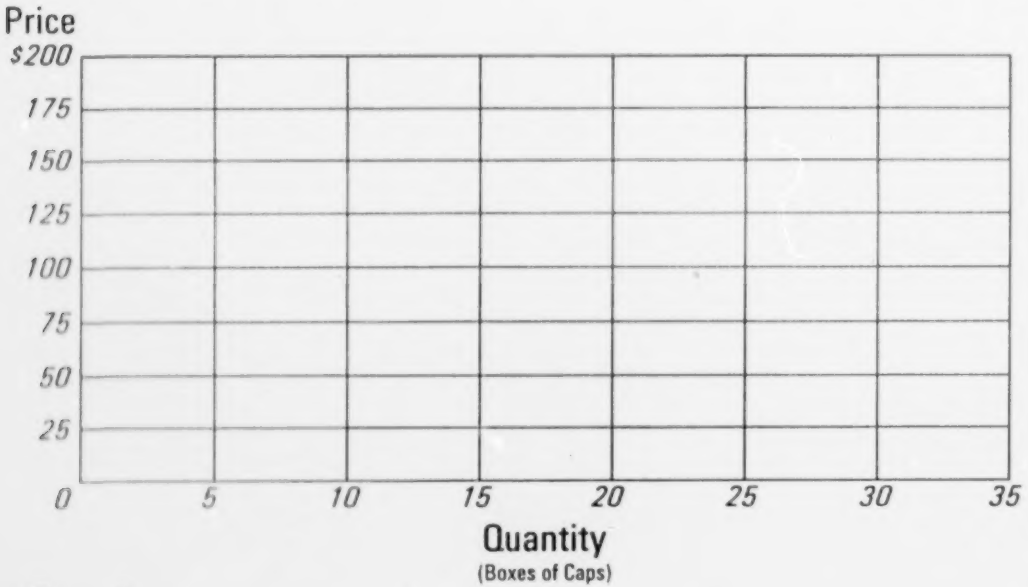
© 1995 Junior Achievement Inc., MG2203-95

Cap Market Sales Chart

Buyers Will Purchase		Price		Sellers Will Offer
Cumulative Quantity	Exchanges		Exchanges	Cumulative Quantity
		$200		
		175		
		150		
		125		
		100		
		75		
		50		
		25		

Add ↓

↑ Add

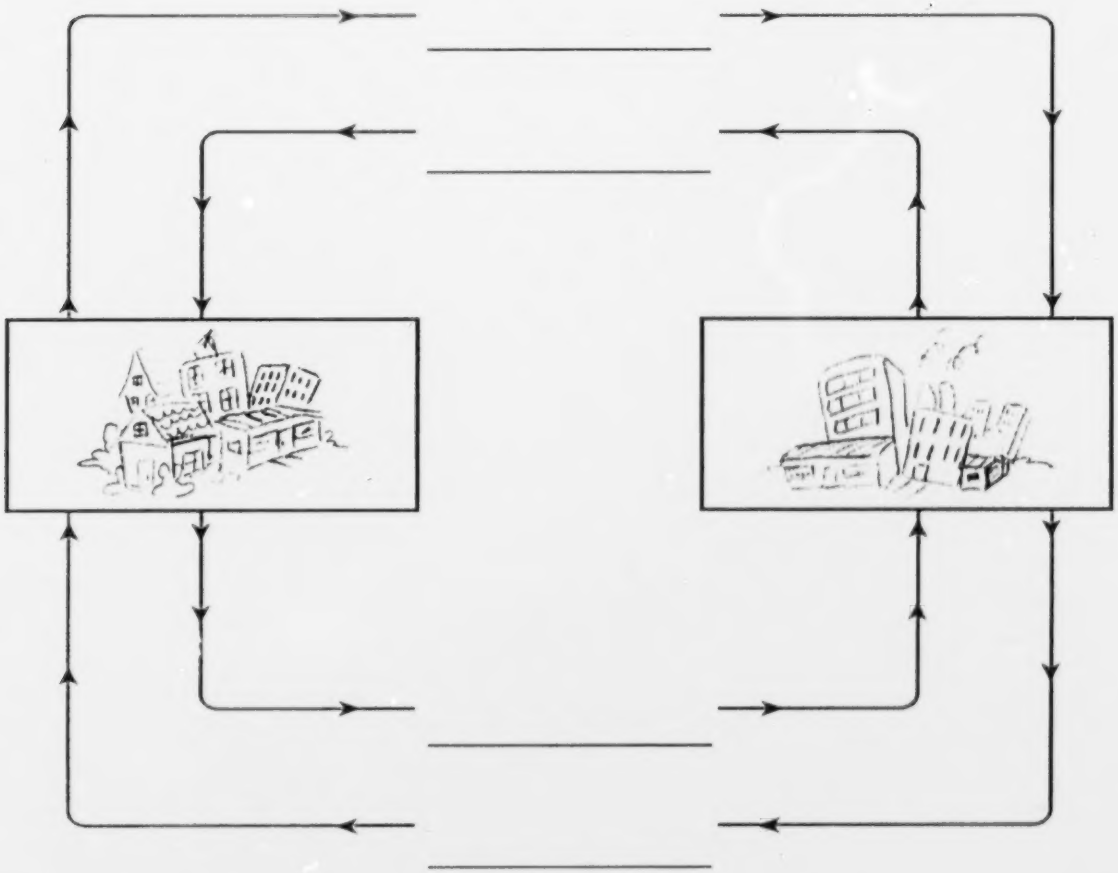


Junior Achievement

© 1995 Junior Achievement Inc., MC203-95

The Circular Flow of Money, Goods, and Services

A

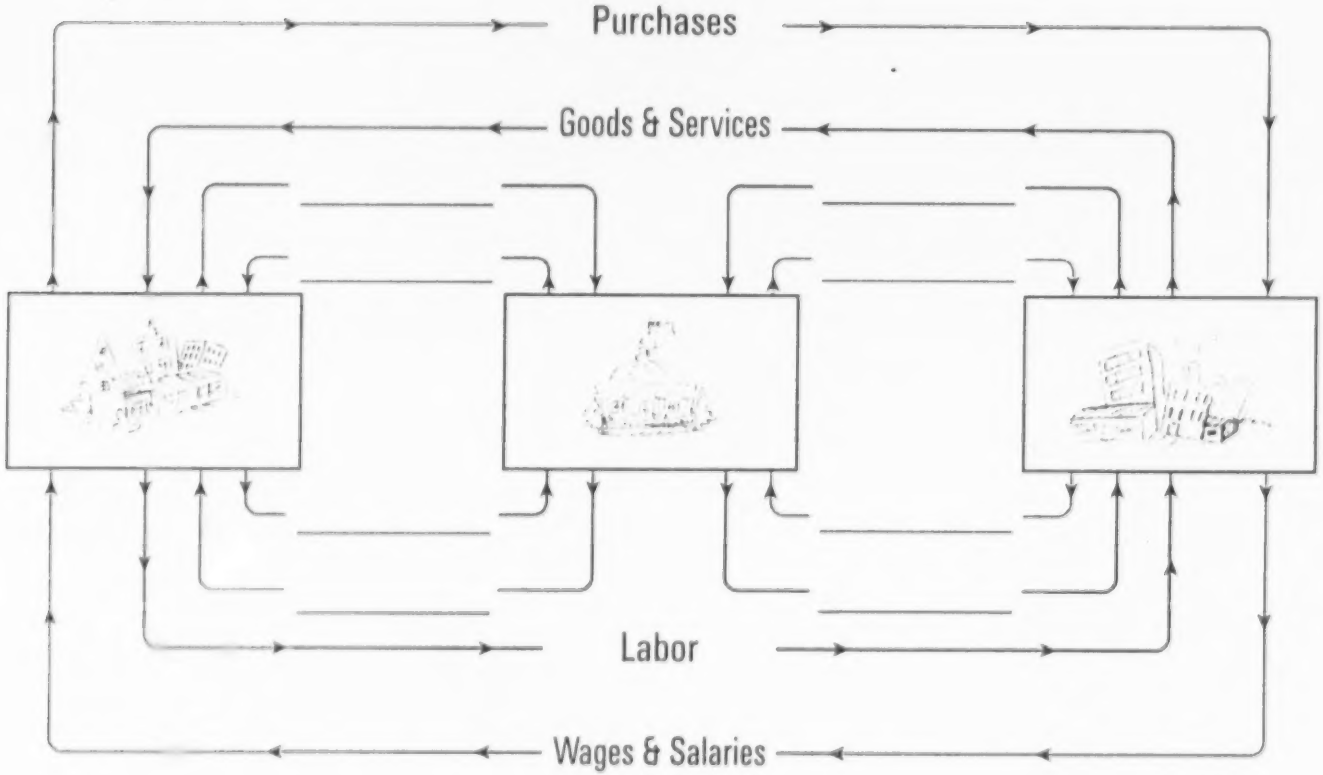


Junior Achievement®

© 1995 Junior Achievement Inc., MG203-95

The Circular Flow of Money, Goods, and Services

B



Junior Achievement®

© 1985 Junior Achievement Inc., MC2033-95

Certificate of Achievement

Student Name

of

School Name

has successfully completed

ENTERPRISE
IN
ACTION

Consultant

Teacher

Date

Junior Achievement

© 1985 Junior Achievement Inc. AE-301-05